FIRST NATIONAL CITY CORPORATION / ANNUAL REPORT 1969 / FIRST NATIONAL CITY BANK

SENIOR MANAGEMENT

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George S. Moore
Chairman

Walter B. Wriston
President

Richard S. Perkins
Chairman of the Executive Committee

J. Howard Laeri
Vice Chairman

Thomas R. Wilcox
Vice Chairman

James F. Jaffray
Senior Vice President

Carl W. Desch
Secretary and Treasurer

Bernard T. Stott
Comptroller

FIRST NATIONAL CITY BANK

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Chairman

Walter B. Wriston
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Richard S. Perkins
Chmn. of the Exec. Comm.

J. Howard Laeri
Vice Chairman

Thomas R. Wilcox
Vice Chairman

G. A. Costanzo
Exec. Vice President

Thomas F. Creamer
Exec. Vice President

James D. Farley
Exec. Vice President

Edward L. Palmer
Exec. Vice President

William I. Spencer
Exec. Vice President

George C. Scott
Chmn. Credit Policy Comm.

Bernard T. Stott
Comptroller

Carl W. Desch
Senior Vice President and Cashier

Leif H. Olsen
Senior Vice President and Economist

Robert W. Feagles
Senior Vice President

John J. Larkin
Senior Vice President

Thomas C. Theobald
Senior Vice President

Conrad F. Ahrens
Senior Vice President

Robert D. Arnold
Senior Vice President

George J. Clark, Jr.
Senior Vice President

Paul J. Collins
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Roy H. Dickerson
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Raymond A. Kathe
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Julien-Pierre Koszul
Senior Vice President

Homer C. Lathrop
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George M. Lingua
Senior Vice President

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William M. R. Mapel
Senior Vice President

P. Henry Mueller
Senior Vice President

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George E. Putnam, Jr.
Senior Vice President

Eben W. Pyne
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John S. Reed
Senior Vice President

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Senior Vice President

John J. Reynolds
Senior Vice President

Reuben F. Richards
Senior Vice President

Juan D. Sanchez
Senior Vice President

John C. Slagle
Senior Vice President

Carleton M. Stewart
Senior Vice President

Richard S. Vokey
Senior Vice President

Richard W. Wheeler
Senior Vice President

Donald S. Howard
Deputy Comptroller

John C. Macy
Deputy Comptroller

Cover. *Early in 1969, Citibank underwent a bold reorganization designed to place the specialized skills of its people next to the markets they serve. The success of the new organization is discussed in the section beginning on page 8 of this report. The cover montage represents the varied activities of the major Groups that make up the heart of Citibank's new organization.*

ANNUAL REPORT 1969
FIRST NATIONAL CITY CORPORATION
FIRST NATIONAL CITY BANK

LETTER TO STOCKHOLDERS

This is a combined report of the operations of First National City Bank and its parent, First National City Corporation.

The economic and political environment in the nation in 1969 importantly affected the activities of First National City. On the economic front, the year was marked by an unusually restrictive monetary policy and persistent inflation. These forces pushed interest rates to historically high levels. Money market pressures were more severe than during the "crunch" of 1966.

The monetary fight against inflation has been painful. But it has been necessary if we are to eliminate excessive price inflation and achieve lower interest rates.

Monetary restraint began in December 1968 and was intensified in the second half of 1969. Throughout the year the Federal Reserve left unchanged the limits on interest banks may pay on time and savings deposits. As other interest rates rose, depositors moved their funds into higher yielding investments in the market. This loss of large denomination time deposits placed severe pressures on large commercial banks in the money centers. To avoid unmanageable strains, banks bought high-cost Eurodollars and Federal Funds. This cushioned, but did not offset, monetary restraint. Banks were forced to sell securities and ration available funds to business borrowers. Commercial bank loans rose during 1969, but this was virtually offset by a sharp decline in bank holdings of securities. In contrast, total loans and investments at commercial banks had climbed about 11 percent in both 1967 and 1968.

During the year liquidity diminished and the cost of money to the banks increased. Consequently, banks raised their rates on business loans. Although bank rates did not rise as much as most market rates, banks nevertheless were widely criticized. During the second half of the year, the prime rate to corporate borrowers remained unchanged despite sharp increases in other interest rates.

At Citibank, loans increased 16 percent and deposits 15 percent during 1969; the corresponding increases during 1968 were 13 percent and 9 percent. Income before securities profits or losses was $130,580,000, up 8.4 percent from $120,475,000 in 1968. On a per share basis, this amounted to $4.83 for 1969 compared with $4.50 for 1968. After deducting net losses from sales of securities (after taxes) of $11,166,000 in 1969 and $11,221,000 in 1968, net income was $119,414,000 and $109,254,000 respectively. For 1969 this equaled $4.41 per share compared with $4.08 for 1968. The above earnings figures for both years reflect changes in accounting procedures applicable to commercial banks in 1969, under which a provision for possible losses on loans is included in operating expenses.

Under the previous accounting procedures, the earnings for 1969 would have been $136,347,000 or $5.04 per share; the earnings previously reported for 1968 under the old procedures were $124,789,000 or $4.66 per share. The year's results and the changes in accounting procedures are discussed more fully in the Financial Summary.

In September, the annual dividend rate was raised from $2.20 to $2.40 per share. It was the fifth successive year in which the rate had been increased. At year end, the number of stockholders was 66,445, compared with 67,507 on December 31, 1968.

The move to a more restrictive monetary policy by the Federal Reserve authorities late in 1968 affected the Bank's lending activities throughout 1969. Every effort has been made to cooperate with the Federal Reserve authorities in their program to control the level of bank credit in this country. However, the necessity to honor prior commitments and to respond to the needs of customers who have had long-established relationships with us has resulted in some further

HIGHLIGHTS OF 1969

EARNINGS AND DIVIDENDS	1969	1968	Change
Income before Securities Profits or Losses (thousands)	$130,580	$120,475	+ 8%
Per Share	$ 4.83	$ 4.50	
Net Income (thousands)	$119,414	$109,254	+ 9%
Per Share	$ 4.41	$ 4.08	
Cash Dividends Declared (thousands)	$ 62,292	$ 56,320	+ 11%
Per Share	$ 2.30	$ 2.10	
Annual Dividend Rate at Year End	$ 2.40	$ 2.20	+ 9%
STATEMENT OF CONDITION (millions)			
Total Assets	$ 23,092	$ 19,624	+ 18%
Deposits	$ 19,142	$ 16,643	+ 15%
Loans	$ 13,240	$ 11,430	+ 16%†
Capital Accounts	$ 1,438	$ 1,396	+ 3%
OFFICES OF FNCB AND AFFILIATED COMPANIES			
In New York Area	181	172	+ 9
Overseas	633*	273	+360
Total	814	445	+369

† Total loans rose 16%; domestic loans increased 10%.

** Includes National and Grindlays Bank Limited, Iranians' Bank, Far East Bank Limited, National City Financial Trust Ltd. and New York London Trustee Co. Ltd.*

increase in the loan portfolio. This increase was more pronounced in the first half than in the second half of the year due to the natural lag in the effectiveness of any change in credit policy. As commitments made prior to the period of restraint expired, we were able to achieve more success in leveling out our loan totals and restricting our outstandings in accordance with Federal monetary objectives.

The primary impact of our restraint fell on business loans. We continued to make a full range of financial services available to individuals at competitive rates. Our personal finance, charge card, mortgage financing and student loan services indicate that a great many residents of the area we serve look to Citibank for financial assistance whenever it may be needed.


President Wriston, Chairman Moore, and Executive Committee Chairman Perkins.

Of all the issues confronting Citicorp, the most threatening is the one-bank holding company legislation passed by the House of Representatives in November, 1969.

As a result of amendments virtually written on the floor of the House and approved by the small minority present, the bill as it now stands not only severely restricts the operations of Citicorp, but affects all banks, large and small. Under its provisions, banks—not just one-bank holding companies—would be barred from such activities as leasing, data processing, mutual funds, insurance and travel services. Many of the services that the bill would prohibit are being provided effectively by commercial banks.

What we find exceptionally disturbing in the House-passed bill (HR 6778) is the complete disregard for the public's interest in the growth of the economy and the benefits of competition. Many of our competitors, who were the most vociferous advocates of this legislation, stand to gain the most from the restriction on bank activities in the present bill.

The improvements and economies that normally flow from innovation and technological competition in financial services would be less available to consumers. Equally important, the demonstrated ability of the banks to anticipate consumer needs and to meet the growing capital requirements of an expanding economy would be severely hobbled. Banking regulatory authorities have testified that existing legislation gives them adequate powers to supervise the banks.

The Senate Banking and Currency Committee is due to consider the subject in the near future. The outcome there, and in the subsequent Senate-House conference, may very well depend on the extent to which you, the consumer, make clear to your representatives in Congress your opposition to legislation that would restrict your ability to obtain competitively priced financial services by taking banks out of markets they have been serving successfully for years. The consumer will ultimately be the loser if the House bill is allowed to stand.

The uncertain outcome of the legislative process as to the scope of activities to be permitted to bank holding companies limited the operations of First National City Corporation. Our first move to diversify our financial service package, the proposed acquisition of The Chubb Corporation, was terminated in midyear because of the Justice Department's announced intention to block the merger. Management concluded that long and disruptive litigation would not be in the best interests of stockholders, employees and customers. Nevertheless, during Citicorp's first full year of operation, we did establish a number of new holding company subsidiaries. Citicorp Leasing International Inc. was organized to finance in foreign countries the leasing of capital goods outside the United States. Citicorp Systems Inc. was formed to serve as the focal point for the development of our computer-based financial services. Citicorp Realty Consultants, Inc. provides real estate consulting services to correspondent banks, bank customers and others. During the past year we also transferred to holding company subsidiaries certain activities formerly conducted by the Bank; FNCB Services Corporation, which conducts the travel business and markets our travelers checks and credit card, has become a subsidiary of First National City Corporation.

Sensitive to its environment, the Bank increased substantially its involvement in urban affairs during the course of the year. It strengthened its program to improve housing in lower-income areas such as Bedford-Stuyvesant as well as in middle-income areas. It also supported business entrepreneurship in "underdeveloped" sections of New York City, while increasing its support to programs of the New York Urban Coalition directed toward similar ends. Mindful of its own personnel needs for the years ahead, Citibank increased its commitment to ed-

ucate, train and hire the disadvantaged, and also conducted an in-depth study of the City's public school system which received wide critical acclaim.

The Bank completed a broad internal reorganization designed to serve our customers more expertly, more efficiently and more profitably. This is described in greater detail in this report.

Overseas, the Bank further enlarged its branch operations. On April 1, Citibank acquired a 40 percent interest in National and Grindlays Bank Limited, a major overseas bank with the equivalent of about $1 billion in deposits.

Lord Aldington, chairman of National and Grindlays, was elected to the Citicorp Board of Directors. William P. Gwinn, chairman of United Aircraft Corporation, was also elected to the Citicorp Board. He already was a member of the Bank's Board of Directors.

There are almost 34,000 Citibankers around the world, about 19,000 in New York and 15,000 overseas. All of these men and women are responsible for the accomplishments of FNCB in 1969. Once again we express to them our gratitude for their performance and loyalty.

A Look Ahead

Citibank's earnings are dependent to a large extent on the interest differential between the yield on our loans and investments and the cost of our funds. This differential narrowed in 1969 due mainly to our substantial recourse to the Eurodollar market to offset the runoff in certificates of deposit. For most of the year, the cost of Eurodollars exceeded our prime lending rate.

As 1970 begins, there is evidence that demand pressures in the economy are lessening and that the conditions which gave rise to inflation are gradually abating. Some relaxation in monetary restraint can be expected in the months ahead. This policy change, together with a further slowdown in the economy, should lead to some reduction in interest rates. It should give us more flexibility in providing credit to the business community. The differential between earning rates and the cost of funds should improve. This, together with some resumption in the growth of loans and investments as the monetary authorities relax their restraints, should favorably influence bank earnings in 1970.

We have worked hard in 1969 to further improve our operating efficiency. A number of automation programs will be completed in 1970. These should assist in restraining the continuing increase in operating costs. While the computers are flawless in their accuracy, the results are no better than the accuracy of the input, which is subject to human error. The problems of changeover have put severe strains on our operating team and have occasionally tested the patience of our customers. We expect that 1970 will see a very marked improvement in these operations.

We achieved substantial success in 1969 in increasing our income from fees and commissions and sources other than interest on loans and investments. Revenues from the broadened spectrum of financial services offered by the Bank and the holding company should result in some increases in this income.

On the whole, we expect 1970 to be a year of accelerating progress for the Bank, with increased earnings for our stockholders, improved facilities and services for our customers, and greater opportunities for our staff at home and abroad.

George S. Moore
Chairman

Walter B. Wriston
President

Richard S. Perkins
Chairman of the Executive Committee

ECONOMIC ENVIRONMENT

Outlook for the U.S. Economy

Throughout most of 1969, the growth rate of the United States economy declined gradually. As 1970 opened, the slowdown was accelerating. Consumers were cutting back their purchases of new cars and other durables. Retail sales, generally, were disappointing. Commercial construction began to ease and housing starts continued to slip. Production continued the decline which began in midsummer. It is clear that monetary restraint is reducing demands.

With no relaxation in monetary policy as the year ended, the economy is expected to respond with a further general decline in output and profits through the first half of 1970 and probably well into the second half. However, a relaxation of monetary restraint in the first half of 1970 should lead to an improvement in the growth rate before the end of the year. The whole strategy of monetary policy is to restore noninflationary growth.

Wage demands by labor are expected to remain high. For a time, they will continue to anticipate future inflation. Some industries will raise prices to cover higher wages. But the increases will not stick where sales have slowed, inventories accumulated and competition stiffened. Slower job growth will limit growth of consumer income and expenditures.

As sales slow down, profits will bear the brunt of excessive wage settlements and high fixed costs. Reduced profits will force cutbacks in spending for plant and equipment.

Defense spending rose only slightly in 1969. President Nixon has scheduled additional troop withdrawals from Vietnam, which should reduce spending requirements for that conflict. Reduced defense spending will help fight inflation.

A decline in the U.S. economy, together with some relaxation in monetary restraint, should bring reduction in interest rates. In addition, as the easing in the pace of inflation gradually leads to more moderate price expectations, institutional investors can be expected to become more aggressive buyers of bonds and mortgages.

Among the important beneficiaries of a more relaxed credit market should be housing. Home construction declined sharply during 1969. This generally occurs when anti-inflationary monetary policies are applied. But housing picks up during general economic declines when other industries are slowing down.

Banks are likely to find that demand for business loans will ease in 1970. During recessions, corporations typically reduce inventories. Receivables and capital outlays grow less rapidly. All of these developments reduce needs for bank credit. In addition, as bond rates ease, corporations can be expected to refund some of their short-term bank debt. Moreover, business borrowers may turn even more heavily to the commercial paper market if commercial paper rates drop well below long-term rates, as they have in past business slowdowns.

With an improved deposit growth, banks would again increase their holdings of securities. However, portfolios of banks and other holders of fixed-income obligations have depreciated sharply because of severe inflation. No matter how quickly inflation tapers off in 1970, it will require at least several years of reasonable price stability to restore to bonds and mortgages the degree of investor confidence they held in the early '60s.

Another beneficiary of cooler economic conditions should be the nation's international merchandise trade position. In 1969, the very rapid increase of imports of manufactured goods persisted. Exports rose markedly, but our performance failed to match the growth of export markets outside the United States. Defense outlays in the Far East and Western Europe remained large.

The long-term capital account of the U.S. balance of payments weakened substantially because of larger direct investment outflows and smaller new issues of U.S. corporate securities abroad on the one side, and reduced foreign purchases of U.S. stocks on the other. Despite the extraordinarily high overall liquidity deficit, the position of the dollar in exchange markets was greatly eased because the monetary authorities of several of the surplus countries sold dollars to private holders and investors.

World Economic Outlook

High rates of price and wage inflation and high and rising interest rates characterized all the main industrial countries in 1969. Toward the close of 1969, however, there were signs that the boom was beginning to ease. Anti-inflationary monetary and fiscal policies have contributed to the start of some slowdown in economies abroad.

A slowdown in output in most of the industrial countries is foreseeable for 1970. Price and wage inflation will continue but at a diminishing rate. In Germany, a further slowdown during the second half of the year is possible, owing to the combined effects of monetary restriction and the upvaluation of the mark. World trade will also slow down sharply after expanding for two years at the extraordinary rate of 12-13 percent a year.

The diminishing pressure of demand, along with an easing of monetary policy in the United States, would relieve tension in the international money markets. Short-term interest rates in most of the industrial countries and in the Eurodollar market should decline somewhat.

Despite the deterioration of the U.S. competitive position in world trade and the continuing large U.S. balance-of-payments deficit on the liquidity basis, dollars were still in strong demand in 1969. Dollars were sought because they yielded unusually high rates of interest in the Eurodollar market. These high rates also increased the cost of carrying gold and contributed to a steep decline in its private market price late in the year.

In January 1970, a new international monetary facility, in the form of special drawing rights, was implemented to supplement gold and dollars in official reserves. SDRs, to be used in settling official international payments, are subject to definite limits and safeguards.

HUMAN ENVIRONMENT

A basic element of our corporate philosophy is that we grow and prosper in direct proportion to the growth and prosperity of the environment in which we do business.

Seldom has this principle been more valid or more sorely tested than it is today. Urban problems throughout the country have grown beyond the ability of government or business, acting independently, to provide solutions. What is needed today is a new urban synthesis drawing on the best available talent from both the public and private sectors.

Citicorp is aware of its responsibility to the City of New York, both as an element of good business and a demonstration of corporate citizenship.

In 1969 Citicorp undertook to reassess its role in urban affairs and to establish priorities for action, deciding how best our substantial strengths and skills could be brought to bear on the urban crisis.

The result was a far-reaching program aimed at four root causes of the problem: upgrading the City's human resources; promoting economic development in disadvantaged areas; helping to create better housing and overall improvement of blighted districts; and stimulating the improvement and efficiency of services offered by the City to its citizens.

In 1968, for example, we sponsored the first privately financed Street Academy in New York. High school dropouts from the City's economically depressed areas find new incentives for learning and a number of graduates are now attending college.

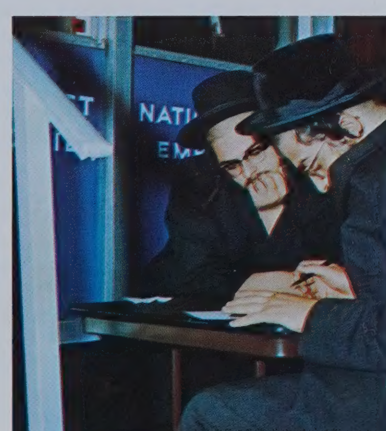
In addition to our continued support of the Street Academy, we undertook a Labor Department-sponsored training program for the hard-core unemployed. (For a detailed report on this program please refer to the "People" section on page 17.) FNCB also developed a program to encourage and facilitate participation by its employees in urban activities. We have found, not surprisingly, that our staff is deeply interested in our corporate programs for the disadvantaged and we are encouraging them to participate as their interests, talents and time permit.

A total of $500,000 was committed to provide loans and equity capital for new businesses in inner city areas; in addition, the Bank continued its support of the New York Urban Coalition and maintained a close liaison with its financing subsidiary, Coalition Venture Corporation.

In the Bedford-Stuyvesant section of Brooklyn, Citibank committed $5 million for home mortgages. A total of $11.5 million was allocated for interim financing of housing projects in the Bellevue South and West Side sections of Manhattan. This investment represents an innovative approach to the City's need for adequate supplies of low-cost housing. Both are basically sound projects in non-poverty areas. By providing funds for their improvement, Citibank has helped avert another potential area of urban decay.

Citibank's role in improving New York's urban services spans a broad range of activities. Included among these are the collection of cigarette, personal and corporate income and other taxes for New York City, and cigarette and sales taxes for the State of New York. We are also acting as advisor on New York City pension funds and are providing specialized payroll services for the City's Board of Education and Human Resources Administration.

As part of a continuing assessment of the City and its needs, the Bank published a comprehensive study of New York's public schools system late last year. A companion publication, "Poverty and Economic Development in New York City," was produced in 1968; surveys of housing and other problems in the City are under way and will be published in the near future.



Citibank and the City. *(Top) In these special facilities, hard-core unemployed are trained for full-time positions with Citibank, tapping a new source of manpower while meeting a basic commitment to the community. High school dropouts (center) are put back on the track toward academic and business success at this Citibank-sponsored Street Academy. (Bottom left) As part of a voluntary, off-hours program, one Citibanker is providing financial guidance to the growing business of dress designer Jon Weston. The Bank's mobile employment office (bottom right) takes recruiters into areas often beyond their normal reach.*

January 2, 1969, marked the beginning of a new era for Citibank. A new administrative structure came into being that day. The transformation was the result of a 15-month study by a blue-ribbon task force comprised of Citibank officers and outside consultants.

The reorganization plan did away with the Bank's traditional geographic alignment. In its place, the task force developed a market-oriented structure. It was designed to make maximum use of the specialized skills of our staff for the ultimate benefit of our customers.

What evolved was an organization uniquely qualified to serve the rapidly changing needs of a growing list of markets both at home and abroad. Basically, Citibank was divided into five new or reorganized Groups. The Personal Banking Group devotes its attention primarily to the requirements of individuals in metropolitan New York. The Commercial Banking Group is concerned with medium-sized businesses. Because these customers were previously served by the same staff that handled the accounts of the large corporations, they often did not get the specialized attention they deserved. The third is the Corporate Banking Group, which serves national and multinational businesses, financial institutions and governments. In order to serve the needs of these clients more effectively, the Corporate Banking Group itself is subdivided into industrial divisions with related financial needs. Each customer's account is assigned to a team of account managers that specializes in companies basically serving similar markets. This, in fact, extends to the entire Corporate Banking Group a practice we had previously applied to only a few industries.

The International Banking Group continues substantially along the same lines as its predecessor, the Overseas Division, though some internal restructuring has taken place involving greater delegation of authority to the field. Finally, the Investment Management Group is concerned with the total financial needs of individuals to whom investment competence is important, and with the investment needs of institutional customers.

What do these changes in Citibank's structure mean to our customers, our stockholders and our employees? To our customers the reorganization means improved services, since account officers are specially trained to handle the particular needs of the individuals or businesses in their Group. To our stockholders it offers promise of accelerated growth of business and earnings. To our employees it means new opportunities to expand their professional competence. Officers with the potential for senior management positions will transfer between Groups and not only broaden their experience but also bring fresh points of view to each Group.

The one-bank holding company—First National City Corporation—was formed to open new avenues for expanded service in financially related activities. The internal reorganization was designed to complement the earlier structural change by improving the efficiency of the existing and potential services offered to our customers. Despite some minor dislocations in the first few months, this purpose has been fulfilled.

Personal Banking Group

The mission of the Personal Banking Group is to provide the consumer and small businessman with a full range of banking and financially related services, at a reasonable cost, and to increase our share of this expanding personal banking market.

In the past there was little distinction between checking accounts for individuals and checking services offered to commercial enterprises. There was some attempt at recognizing the personal character of an individual's checking account by the development of the Special Checking Account some years ago. Furthermore, we have long felt that individual customers should be served in all branches of the Bank rather than in just their "home" branches.

In mid-1969 the Personal Banking Group introduced the First-Class Checking program, which made branchwide banking a reality. All personal checking customers can now cash their checks in any of our 181 domestic branches. Customers may choose between two methods of paying for these checking account services: a flat service charge based on the average monthly balance or a service fee related to account activity.

The Golden Passbook Account, a special type of savings account which pays 5 percent annually, was made even more attractive to customers by guaranteeing the 5 percent annual rate through 1975. In addition, the minimum initial deposit required has been reduced from $1,000 to $500, and the minimum required for additional deposits has been lowered from $100 to $50, making it easier to open and add to an account.

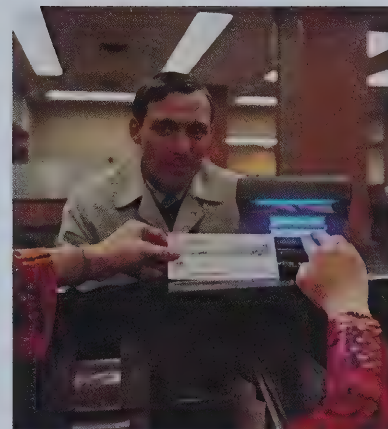
The Personal Banking Group also introduced a variation of the Golden Passbook, the Deferred Income Golden Passbook Account. The account pays 5 percent a year. Customers may choose to defer the receipt of interest and principal for a period of from two to 14 years.

Golden Growth Bonds, an addition to our "Golden" services, were introduced in August 1969 and were well received. These bonds guarantee 5 percent a year, compounded daily. They double in value at maturity, 13 years and 316 days from the date of issue. Available in nine denominations, from $25 to $25,000, Golden Growth Bonds have proven attractive primarily to the smaller saver, while the Golden Passbook Account has attracted the larger investor.

A major event of 1969 was the conversion of our Everything Card, New York's leading bank charge card, to Master Charge. The change, resulting from Citibank's affiliation with the Interbank Card Association, extends the usefulness of our charge card nationwide and to Puerto Rico and 44 countries overseas.

In the broader sense of new service—public service—the Personal Banking Group developed a program for cashing the checks of Summer Youth Corps employees, made its branches available for the distribution of identification cards for the Transit Authority's Half-Fare-For-The-Aged plan, and continued to sell tokens when the Transit Authority adopted an exact fare program on City buses.

Citibank is constantly looking for new



Banking With A Personal Touch. *For part of the year, free bus service (top left) was provided from a Bronx apartment complex to local Bank branches. First-Class Checking (top right) means customers can cash checks in any of Bank's 181 domestic branches. (Middle right) Citibank's adoption of Master Charge provides our cardholders with a card good nationwide and overseas. "Golden Girl" (lower left) was featured in successful promotions for Golden Passbook and Deferred Income Golden Passbook Accounts. (Bottom right) Series of meetings for domestic branch personnel outlined their expanded responsibility following Citibank reorganization.*

and better ways to serve its customers and improve the Bank's operational efficiency. In keeping with this goal, a system called "Ready-Teller" was introduced in 1968 to reduce traffic jams and waiting time, especially during such peak business periods as payday lunch hours. This service has been greatly expanded.

Another time-saving method, the Express Deposit Service, has been installed in most branches. It enables customers to complete virtually any kind of deposit transaction without ever seeing a teller or waiting in line. Now they merely put their deposits and deposit slips in special envelopes and drop them into the Express Deposit box. Receipts are returned to them by mail.

Innovative service and new techniques are essential ingredients in the success of the Personal Banking Group, but the primary component remains the personal and individual attention given to each customer. To emphasize to our employees the importance of good communications with our public, all of our officers and customer representatives were briefed in a series of meetings on their responsibilities to our customers.

The market orientation of the Personal Banking Group has resulted in increased emphasis on sales, promotion and advertising programs. For example, the creation of an incentive program, the Achievement Council, has assisted in increasing sales. Now Personal Bank platform people receive additional recognition and rewards for meeting and exceeding realistic new-business quotas.

In 1969, special promotions contributed to the success of two of our services, Golden Passbook Accounts and Golden Growth Bonds. These contests attracted over 600,000 entries. Special promotions have also been successful in generating new business for Christmas Club accounts and for travelers checks. Record sales for the latter are continuing both here and abroad.

Last summer, the Personal Banking Group embarked on a new advertising campaign. The theme, "a nice little revolution at First National City," explains how our reorganization benefits Personal Banking customers.

Commercial Banking Group

The Commercial Banking Group offers a broad range of services and products to medium-sized businesses and industries principally based in New York City. Because of their size, many Commercial Banking Group customers do not have large management staffs. As a result, an important element of the Group's service is to provide expert financial advice and counsel on many aspects of its customers' business activities.

FNCB Capital Corporation, a federally licensed Small Business Investment Corporation operating in the venture capital markets, has played an important role in financing many new and developing enterprises. Technology Communication, Inc., and Zebra Associates, Inc., are two examples of organizations financed by the Capital Corporation.

Technology Communication provides continuing education services for the technical community. Its first venture into this market is the Innovation Group which uses a multimedia approach to help managers of advancing technology keep abreast of new developments.

Zebra Associates, Inc., an advertising agency, was formed on the premise that most mass advertising campaigns are simply not reaching the low-income market. Raymond A. League and Joan Murray developed the idea for an agency whose staff combines extensive advertising experience with a first-hand knowledge of the life-style of the inner city. Because League and his associates are firmly committed to the concept of black entrepreneurship, Zebra is offering its services to a limited number of black and minority group small businessmen operating in depressed areas.

One of the Commercial Banking Group's major 1969 accomplishments was its leadership in establishing $300 million of bank lines of credit for the Federal National Mortgage Association (Fannie Mae). Formerly Government-owned, Fannie Mae became a private corporation in September 1968. It is the chief financing source for all home mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

Citibank brought together 23 other leading commercial banks across the nation to participate in establishing the credit line. It marked the first time Fannie Mae had sought credit from anyone but the U.S. Treasury.

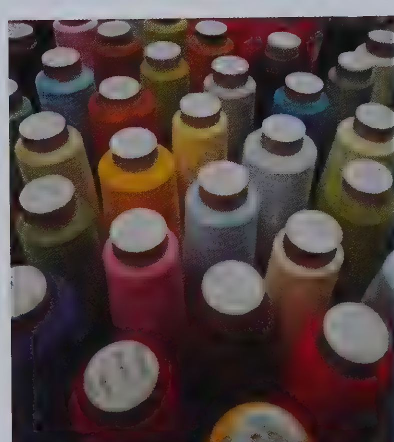
The Commercial Banking Group's creative approach to financing is exemplified by its assistance to a Westchester-based general aviation service company. The company required an initial $500,000 to modernize its facilities and expand its services, which include storage, maintenance and operation of sophisticated business aircraft. Commercial Bank loan experts from three different areas evaluated the company, its proposal and its new management team—notably its dynamic young president, who combines a love of flying with the ability and zeal to revitalize the company. Citibank lent the money for seven years and also extended a $50,000 line for working capital purposes—since raised to $150,000.

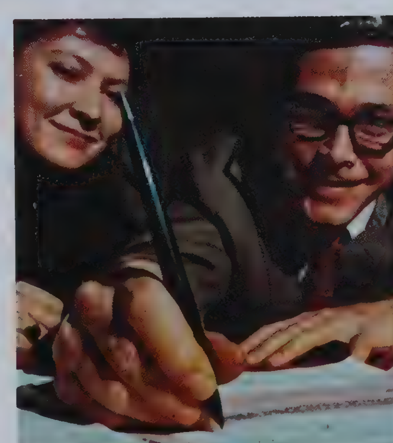
The result has been a profitable relationship with a firm that has turned deficit into profit in less than a year, has established one of the largest general aviation service facilities in Florida, and is on its way to building a nationwide chain of facilities to serve the rapidly expanding general aviation industry.

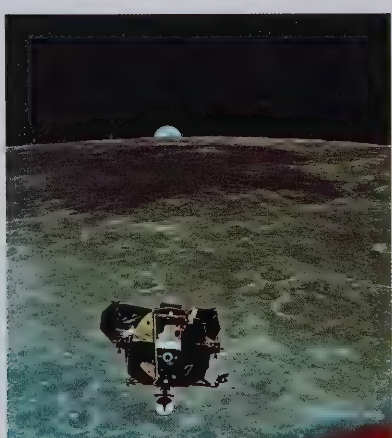
The Commercial Banking Group includes Citibank's factoring and finance business, acquired by the Bank in 1965. Factoring is a centuries-old financing

Varied World of Commercial Banking. *The many markets served by the Commercial Banking Group include a wide variety of businesses. Through FNCB Capital Corporation, Citibank has an equity position in a unique integrated advertising agency (top) and a franchised chain of fast food outlets (bottom left). Spools of newly-dyed yarn (bottom center) symbolize our involvement in the textile industry. (Bottom right) Citibank was a leader in establishing $300 million in bank lines of credit for the Federal National Mortgage Association, chief financing source for FHA and VA home mortgages.*

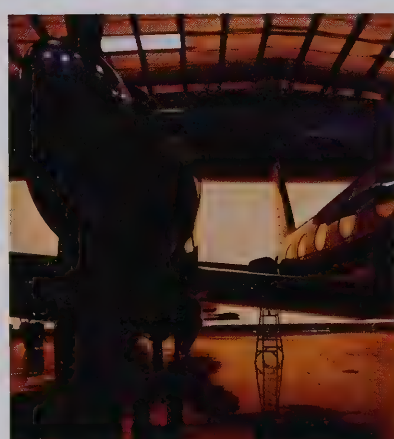

CHICKEN







NASA PHOTO



STD. OIL CO. (N.J.) PHOTO

Frontiers. *The companies served by Citibank are engaged in activities ranging from living space to outer space. We are the lead bank for an upstate New York producer of modular homes (above), which represent a promising solution to the nation's need for low-priced housing. (Lower left) Prime contractors for the Apollo flights bank with us, as do many of the companies searching for oil on Alaska's North Slope (lower right). And we have established a profitable relationship with a growing general aviation service company (center).*

device developed to meet the special needs of the textile business. It is still relied on heavily by textile manufacturers, but has been adapted and used extensively by other industries as well.

Early in 1968, the Bank began factoring the account of an Alabama mill engaged in the specialized business of texturing and package dyeing both natural and synthetic yarn. Citibank's association with the mill dates almost from its beginning in a converted warehouse.

That same mill today has an annual sales volume in excess of $15 million. The company has grown into an around-the-clock, seven-day-a-week operation in a 100,000 square foot building. Another 100,000 square feet are under construction, and the Bank recently agreed to a $1 million term loan to finance machinery for the new building.

The Computer Services Department offers data processing services of particular interest to smaller businesses in the New York area. The Group's payroll service is currently one of our fastest growing products.

Corporate Banking Group

The Corporate Banking Group serves large corporate, financial institution and government customers across the nation. It is the New York City correspondent for banks located in every state.

Because the Transportation and Aerospace Department counts among its customers NASA's major contractors, representatives of the Corporate Banking Group were present at the launching of Apollo 11. Citibankers were proud of the role played by the Bank in man's greatest achievement of the century.

Just as some Citibankers witnessed the start of man's epic journey to the moon, others participated in the start of a different adventure of major significance: the search for oil on Alaska's barren North Slope. Members of the Corporate Banking Group's Petroleum Department were on hand with checks amounting to 45 percent of the down payment for the $900 million of winning bids for the North Slope concession. The checks, drawn for oil company accounts at Citibank, indicate the Bank's strong position in the industry.

Naturally, not all of the Corporate Banking Group's activities are on this history-making level. Most deal with down-to-earth problems and with the needs of the nation's businesses. One example involves the shortage of low-cost housing throughout the United States. Factory-built modular homes represent an imaginative step toward solving the problem. Each module leaves the factory completed down to the floor covering. The modules are trucked to a housing site, "stacked" like blocks to form a finished building, and bolted in place.

One of the most successful modular home firms is located in upstate New York. It recently began a 1,500-unit "inner city complex" in Akron, Ohio, under the direction of the local housing authority and with the support of the Department of Housing and Urban Development.

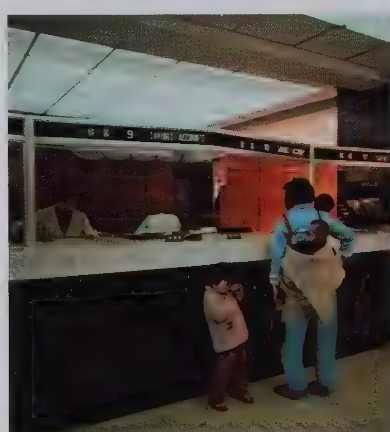
The Corporate Banking Group's association with the firm began shortly after its formation in 1968. Citibank has since provided substantial financing to support the company's activities, and is now the company's principal bank.

Through its new Corporate Services Division, the Corporate Banking Group provides specialized product skills in such areas as corporate agencies, cash management, and correspondent bank securities services. Two of the Division's newest services illustrate its continuing search for ways in which to serve existing markets more resourcefully and attract new customers:

The Citibank Automatic Dividend Reinvestment Service offers shareholders a convenient and inexpensive way to reinvest dividends in their company's stock. The shareholder benefits from automatic accumulation of full and fractional shares, dollar-cost averaging, and the very low commission rates usually available only to purchasers of sizable amounts of stock. At present, the service is available to shareholders of the American Telephone & Telegraph Co., Allegheny Power System, Inc., Gamble-Skogmo, Inc., and Stewart-Warner Corp.

Our Financial Services network of computer programs assists banks and corporations in the evaluation of infor-

CONTINENTAL OIL CO. PHOTO



Around the World in 80 Countries. *Additions to the International Banking Group's worldwide network of offices during 1969 increased to 80 the number of foreign countries in which Citibank operates. One of the Bank's newest overseas branch quarters (above) was dedicated in Geneva, Switzerland, during December. Our ultramodern office in Dubai (lower left) contrasts markedly with the Persian Gulf nation's open-air market. (Lower right) A major acquisition during the year was Citibank's purchase of a 76 percent interest in Far East Bank Limited, which operates 13 branches in Hong Kong.*

mation and in decision-making. The network is, in essence, a "lending library" which can be drawn on by customers through the use of terminals located in their offices. These programs range from credit and investment analysis to capital planning. Frequent seminars are held to familiarize customers with the system and to keep them abreast of the rapidly evolving application of computers to all levels of analytical work.

International Banking Group

There is a tendency among some people to think of Citibank as primarily an international bank, despite the fact that it is New York's largest and the second biggest in the United States.

Considering the scope of the International Banking Group's worldwide activities, the mistake is an easy one to make. In 1914 we became the first U.S. national bank to establish an overseas branch. Since that time, the network of overseas offices has reached into 80 countries. A major addition to that network was made early in 1969 with Citibank's purchase of a 40 percent interest in National and Grindlays Bank Limited (discussed in last year's Annual Report).

Two additional acquisitions made by the IBG were its purchase of a 76 percent interest in Far East Bank Limited, Hong Kong, and a 35 percent interest in Iranians' Bank.

Far East Bank operates 13 branches in Hong Kong. Its assets at the end of 1969 were reported at $19.4 million. Iranians' Bank operates four offices in Iran.

In addition, one of the Bank's subsidiaries acquired a minority interest in Securities Management Company, Ltd., which was established in 1964 to administer and distribute investment funds outside the United States. The company manages some $160 million in assets and maintains 28 offices in Europe, Africa, Asia and the Middle East.

First National City Development Finance Corporation (Thailand) Limited was established by the IBG in the summer of 1969. A wholly owned development finance subsidiary with headquarters in Bangkok, the company offers long-term loans and equity financing for the expansion needs of established companies and the start-up requirements of new firms in Thailand. Formation of the new company followed by a month the Bank's agreement with Bangkok Bank Limited to set up a joint venture investment banking affiliate in the Thai capital. Called Bangkok First Investment and Trust Ltd., it offers investment banking, financial and management consulting, fiduciary services, real estate finance and short-term money operations.

Two other highlights of the International Banking Group's 1969 activities were its "exports" of financial services that have gained wide acceptance here but are little known overseas, and the expanded use of computer-based automation systems in its global network.

Citicorp Leasing International Inc., operating in the United Kingdom and continental Europe, extends our strong domestic equipment leasing position to markets outside the United States. Initially, Citicorp Leasing will concentrate on the computer market in the U.K. and Germany.

Looking toward the day when computers will be talking to each other around the world by way of satellite, Citibank has begun to develop a chain of data processing centers to serve its worldwide branch network. Of the seven centers already in operation, two were opened in 1969: in London and Brussels. Two more are scheduled for completion this year (in Panama City and Caracas), and five others are planned for 1971.

Investment Management Group

Making money grow is no easy job, particularly at a time when many people look for ways just to make it stop shrinking. Throughout the years, the Citibank organizations now making up the Investment Management Group have compiled an impressive record as managers for pension funds, institutions and individuals seeking the most effective use of their capital.

Investing pension and profit sharing funds is the fastest growing part of the Group's activities, as well as a highly competitive part of the overall asset management business. The productivity of these funds is of critical importance to corporations and unions, as it significantly affects the ultimate cost of their employee benefit programs.

With more than $5 billion of such funds under its trusteeship and management, the Group in 1969 again achieved superior investment performance, particularly for the increasingly larger portions of the funds devoted to equity investment.

Another noteworthy indication of the successful investment year was the record of the First National City Fund, a new offshore fund created to enable investors in other countries to participate in the growth of the U.S. economy. The First National City Fund, to which the Investment Management Group provides investment advice, began operation in January 1969; by year end unit value had increased 11 percent.

A consistent investment philosophy has guided the investment management activities of FNCB for many years. When purchasing common stocks for accounts under our management, we emphasize those companies whose earnings will, in our estimation, grow at a considerably more rapid rate than that of the general economy and do so on a relatively predictable basis. Our investment research focuses on the profit potential of industries and companies in the context of the economic outlook, rather than concentrating on short-term market timing. Accordingly, technology-based and consumer-oriented companies currently represent the largest portion of equity portfolios under our management.

During 1969, the Investment Management Group introduced a number of services designed to broaden its usefulness to existing customers and assist in the development of profitable new markets.

Early in the year, the checking accounts, loans, savings and time deposits of 7,000 current and potential investment service customers were transferred to the Investment Management Group. Specially trained officers at seven domestic branches administer these accounts, providing credit facilities, estate and tax planning assistance, and investment advice. These changes, in effect, have established a full-service Bank within the

overall Citibank structure for people whose primary banking need is for asset management.

Personal Financial Counseling, a new service, is now being offered to corporations and their key executives. This service is designed to relieve an executive of the burden of attending to his personal financial affairs by providing him with professional analysis and advice.

The special characteristics and needs of endowment-type funds of educational, religious and charitable institutions also received more intensive servicing by the creation of a unit in the Institutional Investment Division that concentrates on this market.

During the year, the Investment Management Group actively pursued a program of converting smaller trust accounts from individual investments to common trust funds. The use of common funds offers significant advantages for both the customer and the Bank. By pooling a number of smaller accounts, each participating trust benefits from the broader investment diversification provided by common trusts and from the constant supervision of one of the Group's top investment managers. For Citibank, the use of common trusts leads to improved administrative efficiency.

On November 24, the Bank reopened its Commingled Investment Account, a no-load pooled advisory account designed primarily for investors of moderate means. Established in 1966, the Commingled Account was closed to new members in 1967 pending the outcome of two court cases seeking to block bank operation of mutual-type funds. In July 1969 the U.S. Court of Appeals ruled unanimously that commingled accounts constitute proper activities for bank trust departments. Further judicial and legislative review is likely, but we are hopeful that no new roadblocks will arise.

Citibank's Commingled Investment Account is the first—and, at this point, only —such fund in existence. Although considerable competition can be anticipated, substantial growth is expected in this business, since for the first time the Investment Management Group has a service for the middle-income market.

Along with other banks in New York, Citibank benefited from the State Legislature's decision to raise fees for personal trust services. It was the first increase voted by the Legislature in 13 years. In recognition of the same cost pressures, the Investment Management Group readjusted its pricing of services not subject to legislative determination.

Last year was not without its problems for the Investment Management Group. Because of our sizable asset management business and our custodial and safekeeping services for many customers, our "back office" handles approximately $680 million in securities each day. This, no doubt, ranks us among the largest processors of securities in the country and exposes us to the same backlogs that plagued Wall Street throughout 1969. A computer-based online system developed by the Investment Management Group and placed in service in 1969 has significantly improved our ability to record accurately and quickly the delivery and receipt of securities. More third-generation computer record keeping systems are now under development.

Operating Group

The restructuring of Citibank has focused the spotlight on the Bank's customer contact Groups, and understandably so. To the many markets we serve, these Groups are the visible face of Citibank. To our stockholders, they are the centers where the profits are. But behind them is another major element of the "new" Bank, without which most of the accomplishments described in these pages would not have been possible.

The Operating Group is the Bank's "back office." A huge paper processing "factory," it handles myriad diverse transactions around the clock, seven days a week. The Group's four-fold mission is to provide efficient processing services for all the Bank's customer contact Groups; feed information on past performance to officers as a basis for deciding future policy; maintain a "housekeeping" system that provides all areas of Citibank with the best possible facilities and services and apply new technological advances to upgrade present systems and develop new services for the Bank's clients.

A major reorganization was carried out within the Operating Group during 1969. The primary goal of this realignment was to unify in natural areas the bits and pieces of entire systems—such as check and deposit processing, domestic and foreign funds transfer, and documentary collections and commercial credits. As a result of the "systems" approach, the Operating Group is now divided into three major areas.

Area I is a conglomerate of large processing systems, whose principal "tool" is people. Its 3,600 employees handle nearly two tons of paper every day. Area II is the center of the Bank's design and management of computer-based systems, which is the basis for the high technology of the '70s. Area III, the housekeeping force, has a diversity of functions which range from renting branch locations to running a bus service between the Bank's uptown headquarters and 55 Wall Street and its 24-story operations center at the foot of Wall Street.

One of the most significant elements of the Operating Group's reorganization was the creation of the Central Investigation Division within Area I. As the amount and complexity of transactions have increased over the years, the number of problems which can arise during processing can, at times, be substantial. The Central Investigation Division was created specifically to track down difficulties to their sources and feed back vital corrective information.

Perhaps less noticeable than the tangible results provided by the reorganization is the Operating Group's development of a new approach to solving problems that face the management of such a large, complicated web of processing systems. Currently, a significant part of the Group's attention is directed toward understanding the intricacies of the massive work flows and to mastering the details of handling the myriad transactions that make up the never-ending flow of paper.

As a result, there is an intense awareness of the need for a high degree of

Money Managers. *Making money grow is no easy job. Today it takes in-depth skill and aggressive planning. Citibank's Investment Management Group exemplifies that approach. Over the years, the Group has compiled an impressive record as managers of funds for institutions and individuals seeking the most effective use of their capital.*

technical competence in the areas of computer science, operations research and production management. Our success in developing these skills will bridge the gap between the traditional paper processing of the past and the electronic transaction systems of the '70s.

People

No matter how carefully it is structured, how clearly defined are its goals or how sophisticated its equipment, an organization succeeds because of its people.

A total of 33,900 people make up Citibank's worldwide staff. Overseas, about 14,900 serve the Bank and its subsidiaries. The overseas staff consists of 1,800 officers and 13,100 nonofficial employees. Almost 98 percent of the people who work for Citibank outside the United States and its territories are foreign nationals. For the most part, they are recruited from schools and universities in the countries where they work and also from the general labor markets.

Citibank's domestic staff numbers 19,000; 1,850 are officers and 17,150 are nonofficial employees. What are they like? While it's not easy to characterize the nature of a staff as large and diverse as our domestic work force, this profile can be drawn:

- Most nonofficial staff members (68 percent) are younger than 40. Nearly three fourths of Citibank's officers are between 31 and 55 years old.

- The Personal Banking Group employs the largest number of people: 30 percent of our officers and 35 percent of all nonofficial employees. The Operating Group ranks second, with 11 percent of the Bank's officers and 33 percent of the nonofficial staff.

- There are more Citibankers with 10 or more years' service (28 percent) than there are with less than one year's service. And there is a 50-50 split between people who have been with Citibank

more than three years and those with less than three years' service.

• For the most part, Citibankers live where they work. Three of every four employees reside in one of New York's five boroughs.

• Nearly 3,300 employees took advantage of Bank-sponsored education and training programs during 1969. Most popular among the many other programs available is the tuition refund plan—designed to help employees complete their college educations or achieve other self-development goals. The Bank orientation, office skills, and banking and financial training programs also attracted many staff members.

• In keeping with the Bank's goal of offering career opportunities—instead of jobs—6,988 nonofficial promotions were made in 1969 and 541 official promotions, including 319 officers appointed from the nonofficial staff.

Citibank's domestic work force is recruited from many sources. Our professional and clerical employees generally come from the New York labor market. Colleges throughout the country are visited on a year-round basis in a continuing effort to attract graduates to the Bank.

Four of the Bank's six major Groups exceeded their 1969 college recruiting goals and one got exactly as many graduates as it sought. The one Group which fell below its recruiting goals hired 16 of the 20 people it wanted.

Competition in the New York job market became increasingly keen, as unemployment dropped and demand for qualified workers rose. This has been particularly evident in our search for clerical employees.

To help meet its growing need for people to fill such positions as branch tellers, junior and intermediate clerks, typists and keypunch operators, the Bank launched a unique mobile employment office during the year. Housed in a specially designed trailer, the "Jobmobile" reverses the normal employment process by bringing recruiters to the people, often in areas beyond Citibank's normal reach. It is manned by a staff able to complete the total interviewing process on the spot.

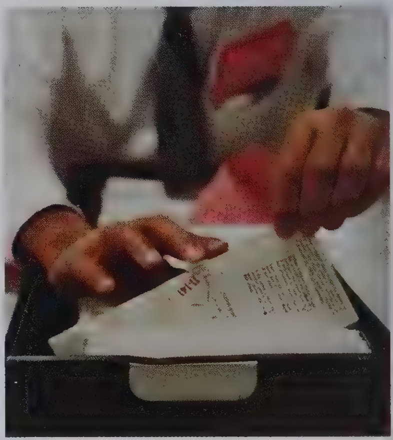
During the year, we entered into two additional agreements with the U.S. Department of Labor to train for full-time employment at Citibank men and women who had been certified as "hard-core unemployed." The original agreement—one of the largest of its kind under the President's Job Opportunities in the Business Sector (J.O.B.S.) program—called for the Bank to train 700 people between July 1968 and June 1969. Our success with the employees gained through the first contract provided the impetus for the two new Labor Department agreements. The second agreement, signed early in 1969, brought 360 additional trainees to our Canal Street center. The third contract, signed in December, calls for 420 more to receive training. In addition to preparing trainees for entry-level clerical employment with Citibank, the new Department of Labor contracts may also include a program to upgrade the skill levels of present employees.

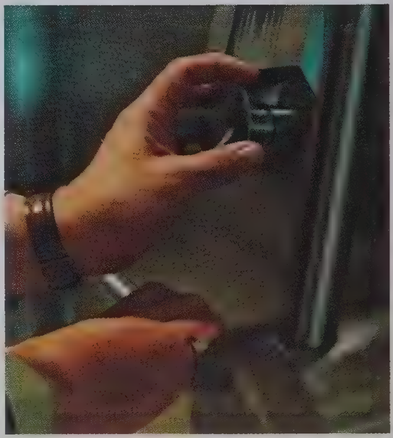
The program devised by Citibank's staff has demonstrated its ability to provide well-trained employees on a continuing basis. It has also shown that, with a balanced training program, the disadvantaged of our community can become effective and productive citizens. Under the terms of the three agreements, almost all the extraordinary costs of qualifying trainees, other than our normal administrative expenses, are borne by the Department of Labor.

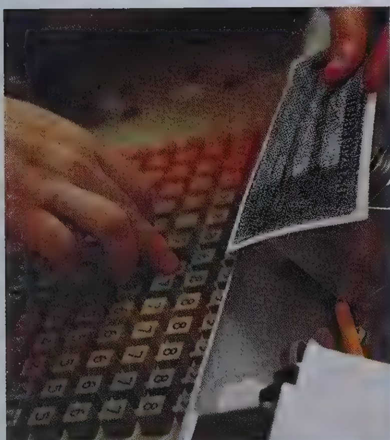
A long-standing Citibank policy was revised during the year to permit the hiring of close relatives of Bank employees.

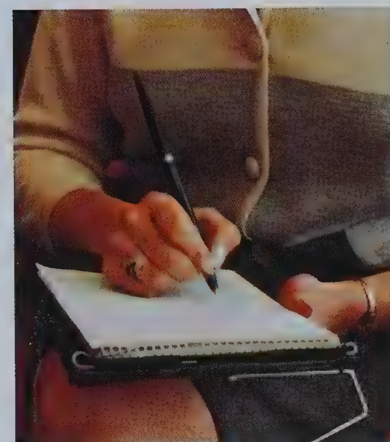
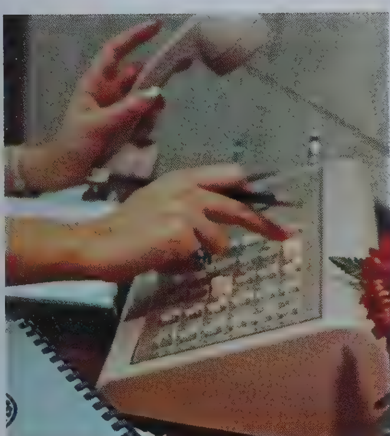
The Bank's employee programs undergo continuing review. Some of the highlights during 1969 were a stock purchase plan for those employees with the Bank for at least two years, whose annual salaries were not more than $25,000; improvement in the checking account facilities available to officers and staff members to enable them to become First-Class Checking Account cardholders; and liberalization of the application requirements for college scholarships made available to employees through the National City Foundation.

Helping Hands. *The Operating Group is, literally, the hands of Citibank. It processes the huge volume of paper, sorts out myriad transactions, and supplies needed information for all the Bank's activities. The Operating Group is the Bank's "back office." It unifies bits and pieces of entire systems, such as check and deposit processing, domestic and foreign funds transfer and documentary collections and commercial credits.*

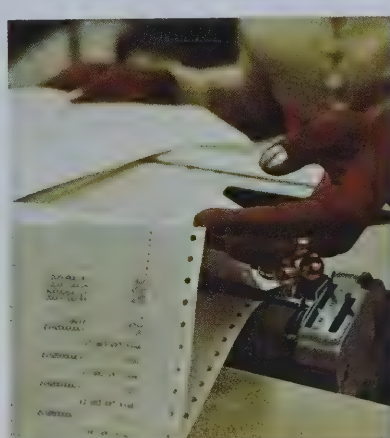
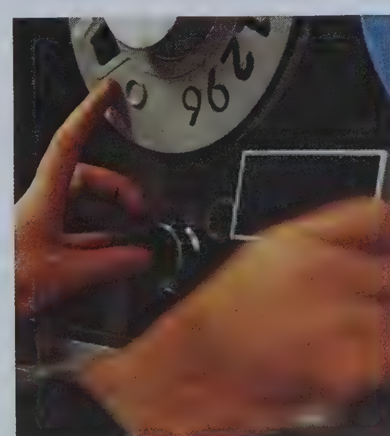








OVERSEAS BRANCHES, BANKING SUBSIDIARIES AND AFFILIATES—633 IN 80 COUNTRIES

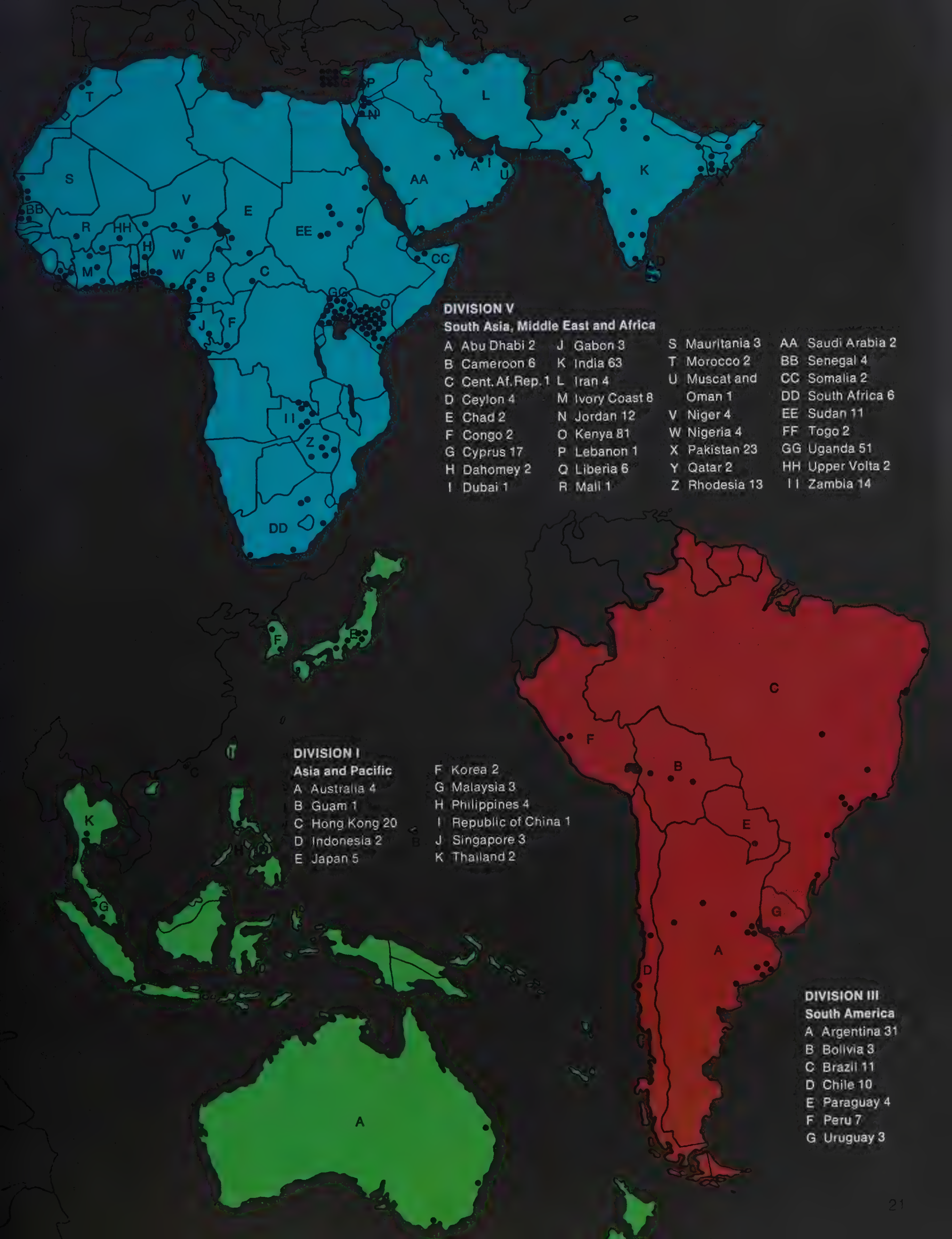
Dots represent cities in which offices are located. Figures indicate number of offices in each country.

DIVISION II
Canada and Caribbean

A Bahamas 2
B Barbados 2
C Canada 11
D Canal Zone 1
E Colombia 20
F Dominican Republic 5
G Ecuador 7
H El Salvador 1
I Guantanamo Bay 1
J Honduras 7
K Jamaica 3
L Mexico 5
M Netherlands Antilles 1
N Nicaragua 1
O Panama 15
P Puerto Rico 12
Q Trinidad and Tobago 3
R Venezuela 4
S Virgin Islands 2

DIVISION IV
Europe

A Belgium 5
B France 8
C Germany 5
D Greece 4
E Ireland 1
F Italy 2
G Netherlands 4
H Spain 3
I Switzerland 4
J United Kingdom 24



DIVISION V
South Asia, Middle East and Africa

A Abu Dhabi 2
B Cameroon 6
C Cent. Af. Rep. 1
D Ceylon 4
E Chad 2
F Congo 2
G Cyprus 17
H Dahomey 2
I Dubai 1
J Gabon 3
K India 63
L Iran 4
M Ivory Coast 8
N Jordan 12
O Kenya 81
P Lebanon 1
Q Liberia 6
R Mali 1
S Mauritania 3
T Morocco 2
U Muscat and Oman 1
V Niger 4
W Nigeria 4
X Pakistan 23
Y Qatar 2
Z Rhodesia 13
AA Saudi Arabia 2
BB Senegal 4
CC Somalia 2
DD South Africa 6
EE Sudan 11
FF Togo 2
GG Uganda 51
HH Upper Volta 2
II Zambia 14

DIVISION I
Asia and Pacific

A Australia 4
B Guam 1
C Hong Kong 20
D Indonesia 2
E Japan 5
F Korea 2
G Malaysia 3
H Philippines 4
I Republic of China 1
J Singapore 3
K Thailand 2

DIVISION III
South America

A Argentina 31
B Bolivia 3
C Brazil 11
D Chile 10
E Paraguay 4
F Peru 7
G Uruguay 3

METROPOLITAN NEW YORK BRANCHES

Dots indicate scope of branch network. Figures show exact number in each county and borough.

Metropolitan Regional Boards*

Nassau Board
GEORGE F. BAKER, JR.
Trustee,
George F. Baker Trust

HENRY R. BANG
Executive Vice President,
Long Island Health and Hospital Planning Council, Inc.

FORD BARTLETT
President,
Lockwood, Kessler & Bartlett, Inc.

MARTIN DWYER, JR.
Sprague, Dwyer, Aspland & Tobin

EDGAR S. HILL
Glen Head, N.Y.

FRANCIS J. MOSES
Vice President,
Long Island
New York Telephone Company

EDWARD C. NEZBEDA
Vice President,
Grumman Aerospace Corporation

ALEXANDER PAULSEN
Patchogue Homes Corporation

JOSEPH USHKOW
President,
Endo Laboratories Incorporated

HOWARD B. WAKEMAN
Roxbury Road, Garden City

ROBERT WINTHROP
Honorary Chairman,
Wood, Struthers & Winthrop Inc.

Westchester Board
DAVID M. BRUSH
Treasurer,
General Foods Corporation

WILLIAM N. CREASY
President,
Burroughs Wellcome Fund

BERNARD F. CURRY, JR.
President,
The Curry Corporation

WARREN C. HUME
Senior Vice President,
International Business Machines Corporation

THOMAS D. NAST
President & Treasurer,
All-State Welding Alloys Co., Inc.

H. HALSTED PARK, JR.
President,
H. H. Park, Incorporated

Staten Island Board
STANLEY M. BLAUSER, JR.
General Commercial Manager, Brooklyn
New York Telephone Company

DR. PAUL W. DIECKMAN
Vice President,
Wagner College

WILLIAM A. DREYER
Benedict Road, Staten Island

HERBERT A. FLAMM
President,
Weitzman's Photo Shop, Inc

ARTHUR J. GRYMES, III
Chairman of the Board & President
Brewer Dry Dock Company

WINSTON E. HIMSWORTH
Vice President—
Staten Island Operations,
The Brooklyn Union Gas Company

KENNETH W. NELSON
President,
Tech Products, Inc.

WILLIAM G. QUINN
Port Ivory Division Manager,
The Procter & Gamble Manufacturing Company

THOMAS A. RYAN
Treasurer and General Manager,
Richmond Poster Advertising Co., Inc.

EDWARD W. THOMPSON
President,
E. Thompson Paving Corporation

CORNELIUS VANDERBILT
President,
Vanbro Construction Corporation

WALTER L. VAN NOSTRAND
Midland Road, Staten Island

JOSEPH WEISSGLASS
President,
Weissglass Gold Seal Dairy Corp.

**Other than members who are First National City Bank officials*

PRINCIPAL AFFILIATED COMPANIES

Listed below are affiliates engaged in general banking or in specialized fields of banking and finance. In each case, the year of acquisition or organization and the percentage of ownership is shown.

General Banking

Banco Argentino del Atlantico, S.A. (1967) (80%) operates nine offices in the Mar del Plata area, south of Buenos Aires, Argentina.

Banco de Honduras S.A. (1965) (59%) operates seven offices in Honduras. In addition to FNCB officials, A. S. Midence is a member of the board.

The Bank of Monrovia (1955) (100%) operates six offices in Liberia.

Banque Internationale pour l'Afrique Occidentale (1965) (49%) operates 44 offices in central and western Africa. It also operates four offices in France. Citibank representatives on the board are E. E. Bradford, G. A. Costanzo, J. T. Fogarty, P. Jefferys, J-P. Koszul and C. M. Stewart.

Far East Bank Limited (1969) (76%) operates in Hong Kong with 13 offices principally in Kowloon and the New Territories. The only outside director is D. T. K. Chiu, chmn.

First National City Bank (Channel Islands) Limited (1969) (100%) operates an office in St. Helier on the island of Jersey.

First National City Bank (Maghreb) (1967) (100%) operates two offices in Morocco.

The First National City Bank of New York (South Africa) Ltd. (1958) (100%) operates six offices in South Africa. Directors other than FNCB officials are C. L. Barnett, D. D. Forsyth, H. L. Kennedy, E. B. Pagden, L. C. M. Rattray and E. C. Woods.

Iranians' Bank (1969) (35%) operates four offices in Iran. Citibank representatives on the board are P. Jefferys, J. Koster, C. M. Stewart and P. G. Wodtke.

The Mercantile Bank of Canada (1963) (100%) operates nine offices in Canada. In addition to Citibank officials, directors are A. Bachand, H. A. Benham, J. L. Black, W. J. Borrie, P. Côté, J. T. Johnson, Q.C., H. T. Mitchell, A. T. Seedhouse, H. A. Steinberg, E. H. Tanner, O.B.E., and Maj. Gen. A. E. Walford.

National and Grindlays Bank Limited (1969) (40%) operates 292 offices principally in the Middle East, Southern Asia, Africa and the United Kingdom. Citibank representatives on the board are G. A. Costanzo, G. S. Moore and P. A. Tileston.

Specialized Banking and Financial Services

Bangkok First Investment and Trust Ltd. (1969) (50%), a joint venture with Bangkok Bank Limited, conducts an investment banking business in Thailand. Directors other than FNCB officials are B. Rojanstein, chmn., C. Sophonpanich and P. Vinyaratu.

FNCB Capital Corporation (1967) (100%) is a small business investment company organized to provide equity capital and long-term loans to growing concerns. The only outside director is T. F. Talmage.

FNCB Services Corporation (1965) (100%) manages the Bank's travelers check and credit card activities. It also operates a retail travel service in New York and overseas.

FNCB-Waltons Corporation Ltd. (1966) (50%) is a leading finance company in Australia with offices in Sydney, Brisbane and Melbourne. In addition to FNCB officials, directors are B. D. Canny, D. B. Sanderson, A. E. Vrisakis, J. R. Walton and J. S. Walton.

First National City Bank (International) (1967) (100%) in San Francisco is an Edge Act banking corporation offering a broad range of international banking services, particularly to our branches, correspondents and clients overseas.

First National City Development Finance Corporation (Thailand) Limited (1969) (100%) provides long-term loans to companies in Thailand.

First National City Overseas Investment Corporation (1961) (100%) is an Edge Act investment corporation which facilitates foreign capital transactions and makes equity investments abroad.

First National City Trust Company (Bahamas) Ltd. (1961) (100%) conducts a general trust business under the laws of the Bahamas and affords various advantages to foreign customers and foreign subsidiaries of U.S. corporations. In addition to FNCB officials, members of the board are L. A. Astley-Bell, Hon. Eugene Dupuch, Q.C., M. P. Maura, Col. A. T. Maxwell, Rt. Hon. Lord Rootes, Hon. Sir R. T. Symonette, C. Y. Tung and J. W. Walker, Q.C.

International Trust Company (1963) (100%) conducts a general trust business and operates two offices in Canada. Directors other than FNCB officials are J. G. Godsoe, Hon. A. A. Macnaughton, P.C., Q.C., F. Mercier, Q.C., W. S. Robertson, D.F.C., Q.C., and L. Rousseau.

National City Financial Trust Ltd. (1967) (93%) operates in the hire purchase, mortgage loan and personal loan fields through 13 offices in the United Kingdom.

New York London Trustee Co. Ltd. (1964) (100%) provides trust and investment services to companies in the United Kingdom.

FINANCIAL SUMMARY

The Year's Earnings

For 1969 Consolidated Income before Securities Profits or Losses of First National City Corporation and its subsidiaries was $130,580,000. This total was $10,105,000 or 8.4% higher than the comparable figure for 1968. On a per share basis, the figures were $4.83 for 1969 compared with $4.50 for 1968. After securities losses, Net Income was $119,414,000; up 9.3% and equal to $4.41 per share in comparison with $4.08 for 1968.

The Consolidated Statement of Earnings which appears on page 27 reflects a number of changes in reporting procedures in conformity with new regulations issued by Federal supervisory agencies. For the first time commercial banks will be including in their operating expenses a provision for possible losses on loans as a cost of doing business. In our case, this provision was based on our loss experience during the past five years, as explained below, and amounted to $13.5 million for 1969. On a comparable basis the 1968 charge would have been $10.1 million. The caption in the earnings statement, Income before Securities Profits or Losses, corresponds to Net Operating Earnings as formerly reported, reduced by the after-tax effect of this new charge. Had there been no change, earnings for 1969 would have been $136,347,000 or 9.3% more than the $124,789,000 reported for 1968.

Total operating income of $958 million increased 26% during the year, compared with an increase of 20% in 1968. The major part of this increase, 87%, was in income from domestic loans as a result of an increase in average outstandings of 12% and an increase in average rate from 6.56% to 7.75%.

Due to a 10% reduction in average security holdings, income from securities dropped about $3 million in spite of an increase in yield. On a fully taxable basis, the average return on U.S. Treasury securities was 5.79% in 1969 compared with 5.30%, and on state and municipal securities was 8.83% compared with 8.19%.

Other income of $130 million was $28 million higher than in 1968, principally because of higher trust and banking commission income and increased earnings of our overseas offices. Overseas earnings are included, net of the expenses of the overseas offices.

Of the total increase in operating expenses of $187 million, $144 million or 77% was additional interest paid on deposits and borrowed money. Although this was a substantial increase in expenses, it should be noted that available funds were utilized to produce additional interest income of $169 million. Provision for domestic staff payments increased $24 million or 15%. This was the added cost of the increased number of employees required to handle a constantly expanding banking organization together with necessary adjustments in the salaries of the existing staff.

Loans

During 1969 loans here and abroad averaged $12.3 billion, which was equivalent to 75% of average deposits.

As indicated above, new regulations apply this year to the treatment of the provision for possible losses on loans. Under these regulations the Bank has had the option of charging against operating earnings either its actual losses for the year or an amount determined by the loss experience for a five year period. We have chosen the latter method and have calculated the amount of the Provision for Possible Losses on Loans by applying the ratio of net loan losses to average loans for the most recent five year period to the average loans outstanding during the current year. Under this procedure the amount we are setting aside from earnings each year will be in proportion to the size of the loan portfolio and will be reasonably stable in amount, since fluctuations in our loss experience from year to year will be leveled off by the averaging procedure. For 1969 actual net losses were $11,443,000, although the charge to Operating Expenses under the above formula was $13,500,000. After taxes, the reduction in earnings was $5,767,000 or 21¢ per share. This reduces earnings as they would have been reported under our previous practice by about 4.2%.

The 1969 actual net loan losses after taxes were equal to 4/100ths of one percent of average loans; over the past 10 years this figure has averaged 7/100ths of one percent.

Investment Securities

The size of the Bank's investment portfolio was lower at year end than at the end of the previous year, and there have been some changes in the composition of the portfolio which have affected the average life of the security holdings.

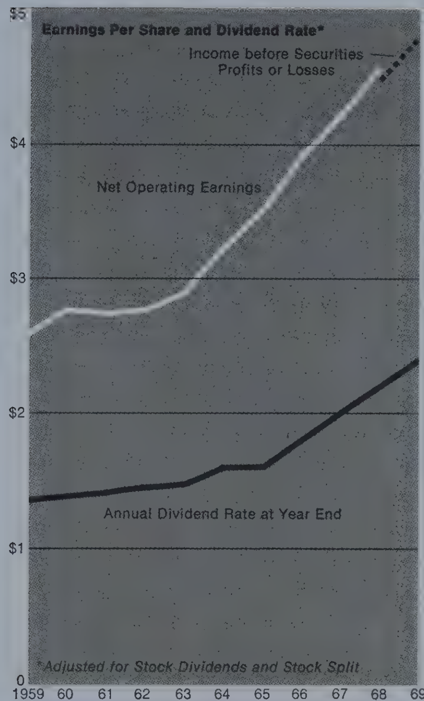
The average maturity of U.S. Treasury securities was shortened during the year from 45 months to 37 months. Of these securities, 23% mature within one year and 92% within five years. With respect to the state and municipal holdings, our policy has been to shorten the life of the longer-term portion of the portfolio, as evidenced by the fact that the average life of holdings over one year dropped during the year from 20 years and two months to 18 years and six months. However, a substantial amount of short-term securities reached maturity or were sold during the same period, so that the average life of the whole portfolio increased from 15½ years to 17½ years.

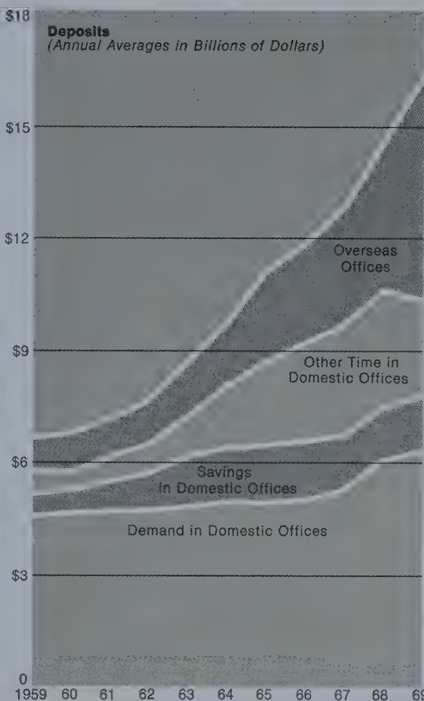
Net losses from sales of securities amounted to $11.2 million after taxes, about the same as in 1968. Reinvestment of the proceeds in higher yielding loans and securities has produced and will continue to produce increased operating earnings.

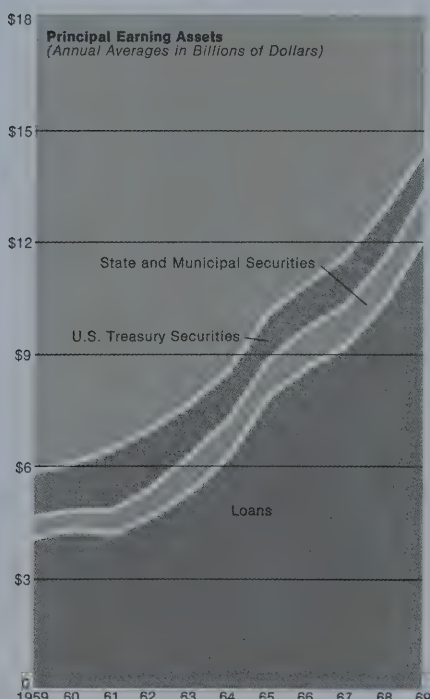
Deposits

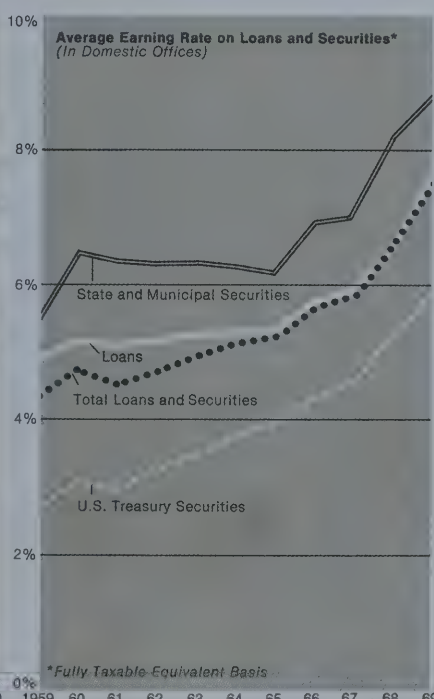
At the year end, total deposits were at an all-time high of $19.1 billion. The average deposits during 1969 were $1.7 billion higher than in 1968, including a 6% increase in domestic demand deposits.

The largest increase in average deposits was in the overseas offices, where the average was $2.2 billion higher than in 1968. This reflects the continued rapid expansion of the activities of the Bank's organization throughout the world, particularly in those countries where there are extensive flows of U.S. dollar funds.


Earnings Per Share and Dividend Rate*
Income before Securities Profits or Losses
Net Operating Earnings
Annual Dividend Rate at Year End
*Adjusted for Stock Dividends and Stock Split
$5
$4
$3
$2
$1
0
1959 60 61 62 63 64 65 66 67 68 69


Deposits
(Annual Averages in Billions of Dollars)
Overseas Offices
Other Time in Domestic Offices
Savings in Domestic Offices
Demand in Domestic Offices
$18
$15
$12
$9
$6
$3
0
1959 60 61 62 63 64 65 66 67 68 69


Principal Earning Assets
(Annual Averages in Billions of Dollars)
State and Municipal Securities
U.S. Treasury Securities
Loans
$18
$15
$12
$9
$6
$3
0
1959 60 61 62 63 64 65 66 67 68 69


Average Earning Rate on Loans and Securities*
(In Domestic Offices)
State and Municipal Securities
Loans
Total Loans and Securities
U.S. Treasury Securities
*Fully Taxable Equivalent Basis
10%
8%
6%
4%
2%
0%
1959 60 61 62 63 64 65 66 67 68 69

CONSOLIDATED STATEMENT OF CONDITION

Assets		**December 31, 1969**		**December 31, 1968**
Cash and Due from Banks		$ 4,872,753,000		$ 3,907,758,000
U.S. Treasury Securities		1,302,850,000		1,323,145,000
State and Municipal Securities		1,118,966,000		1,358,641,000
Other Securities		581,545,000		432,571,000
Loans		13,240,365,000		11,430,438,000
Federal Funds Sold		330,945,000		113,400,000
Customers' Acceptance Liability		447,735,000		273,437,000
Bank Premises and Equipment		218,352,000		176,664,000
Other Assets		978,383,000		608,066,000
Total		$23,091,894,000		$19,624,120,000
Liabilities				
Demand Deposits in Domestic Offices		$ 7,972,938,000		$ 7,412,675,000
Time Deposits in Domestic Offices		3,411,816,000		4,675,402,000
Deposits in Overseas Offices		7,757,209,000		4,554,933,000
Total Deposits		$19,141,963,000		$16,643,010,000
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase		733,543,000		470,047,000
Commercial Paper Outstanding		323,924,000		—
Other Funds Borrowed		130,149,000		156,520,000
Acceptances Outstanding		475,119,000		279,347,000
Accrued Taxes and Other Expenses		246,405,000		156,922,000
Provision for Dividend Declared		16,279,000		14,814,000
Other Liabilities		173,366,000		165,728,000
Unearned Income		109,136,000		75,397,000
Reserve for Possible Losses on Loans		304,469,000		265,920,000
Capital Accounts				
4% Convertible Capital Notes Due 1990	$ 258,383,000		$ 265,921,000	
Preferred Stock (without par)	$ —		$ —	
Authorized but Unissued Shares: 10,000,000 in 1969; 2,000,000 in 1968				
Common Stock ($13.50 par)	366,273,000		363,615,000	
Outstanding Shares: 27,131,315 in 1969; 26,934,453 in 1968				
Surplus	543,152,000		468,991,000	
Undivided Profits	166,036,000		169,838,000	
Unallocated Reserve for Contingencies	103,697,000		128,050,000	
	$1,179,158,000	1,437,541,000	$1,130,494,000	1,396,415,000
Total		$23,091,894,000		$19,624,120,000

Explanatory notes are on pages 29-32

CONSOLIDATED STATEMENT OF EARNINGS

Operating Income	1969	1968	Increase
Interest on Loans	$700,265,000	$528,590,000	$171,675,000
Interest and Dividends on Securities			
—U.S. Treasury	63,906,000	72,012,000	—8,106,000
—State and Municipal	48,155,000	46,110,000	2,045,000
—Other Securities	15,568,000	12,292,000	3,276,000
Other Income	130,086,000	101,643,000	28,443,000
	$957,980,000	$760,647,000	$197,333,000
Operating Expenses			
Provision for Staff Payments			
—Salaries	$154,092,000	$131,000,000	$ 23,092,000
—Profit Sharing	8,181,000	7,487,000	694,000
—Retirement Plan	9,341,000	12,422,000	—3,081,000
—Social Security Taxes	6,918,000	5,554,000	1,364,000
—Group Insurance, Hospital and Medical	3,131,000	1,663,000	1,468,000
	$181,663,000	$158,126,000	$ 23,537,000
Interest Paid on Deposits	378,505,000	279,301,000	99,204,000
Interest Paid on Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	69,650,000	29,165,000	40,485,000
Interest Paid on Other Borrowed Money	18,918,000	14,463,000	4,455,000
Deposit Insurance Assessment	3,497,000	3,806,000	—309,000
Premises (net)	30,724,000	22,515,000	8,209,000
Provision for Possible Losses on Loans	13,500,000	10,100,000	3,400,000
Other Expenses	80,568,000	72,120,000	8,448,000
	$777,025,000	$589,596,000	$187,429,000
Income before Taxes and Securities Profits or Losses	$180,955,000	$171,051,000	$ 9,904,000
Taxes Based on Operating Income	50,375,000	50,576,000	—201,000
INCOME BEFORE SECURITIES PROFITS OR LOSSES	$130,580,000	$120,475,000	$ 10,105,000
Securities Profits or (Losses), After Taxes of ($15,035,000) and ($14,843,000) respectively	(11,166,000)	(11,221,000)	55,000
NET INCOME	$119,414,000	$109,254,000	$ 10,160,000
Earnings Per Share:			
On Average Common Shares Outstanding:			
Income before Securities Profits or Losses	$4.83	$4.50	$.33
Net Income	$4.41	$4.08	$.33
Assuming Full Dilution:			
Income before Securities Profits or Losses	$4.36	$4.06	$.30
Net Income	$4.00	$3.70	$.30

CHANGES IN CONSOLIDATED CAPITAL ACCOUNTS

	1969	1968
Balance at Beginning of Year	$1,396,415,000	$1,346,203,000
Additions		
Net Income	$ 119,414,000	$ 109,254,000
Issuance of Stock		
—Under Stock Option and Purchase Plans	4,162,000	11,399,000
—Acquisitions	425,000	—
Investment Securities Accretion, Prior Years, After Taxes	—	2,240,000
Other Additions	263,000	3,291,000
	$ 124,264,000	$ 126,184,000
Deductions		
Cash Dividends Declared (Per Share: 1969 $2.30; 1968 $2.10)	$ 62,292,000	$ 56,320,000
Transferred to Reserve for Possible Losses on Loans	17,188,000	17,455,000
Other Deductions	3,658,000	2,197,000
	$ 83,138,000	$ 75,972,000
Balance at End of Year	$1,437,541,000	$1,396,415,000

Explanatory notes are on pages 29-32

CONSOLIDATED STATEMENT OF CONDITION

		December 31, 1969		December 31, 1968
Assets				
Cash and Due from Banks		$ 4,873,021,000		$ 3,907,758,000
U.S. Treasury Securities		1,302,850,000		1,320,164,000
State and Municipal Securities		1,118,966,000		1,358,641,000
Other Securities		581,545,000		432,571,000
Loans		13,240,365,000		11,430,438,000
Federal Funds Sold		99,945,000		113,400,000
Customers' Acceptance Liability		447,735,000		273,437,000
Bank Premises and Equipment		218,352,000		176,664,000
Other Assets		960,541,000		608,062,000
Total		$22,843,320,000		$19,621,135,000
Liabilities				
Demand Deposits in Domestic Offices		$ 7,978,600,000		$ 7,412,912,000
Time Deposits in Domestic Offices		3,412,216,000		4,675,402,000
Deposits in Overseas Offices		7,757,209,000		4,554,933,000
Total Deposits		$19,148,025,000		$16,643,247,000
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase		829,818,000		470,047,000
Other Funds Borrowed		130,149,000		156,520,000
Acceptances Outstanding		475,119,000		279,347,000
Accrued Taxes and Other Expenses		249,855,000		157,599,000
Provision for Dividend Declared		16,400,000		14,907,000
Other Liabilities		172,868,000		165,728,000
Unearned Income		106,148,000		75,397,000
Reserve for Possible Losses on Loans		304,469,000		265,920,000
Capital Accounts				
Capital Stock ($13.50 par) Outstanding Shares: 26,909,553	$ 363,279,000		$ 363,279,000	
Surplus	539,801,000		467,659,000	
Surplus Representing Convertible Capital Note Obligation Assumed by Parent Corporation	258,383,000		265,921,000	
Undivided Profits	145,309,000		167,514,000	
Unallocated Reserve for Contingencies	103,697,000	1,410,469,000	128,050,000	1,392,423,000
Total		$22,843,320,000		$19,621,135,000

Explanatory notes are on pages 29-32

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements include the accounts of certain majority-owned subsidiaries; those not included are not significant in the aggregate.

Figures of overseas offices are as of December 20, and are converted at rates of exchange current on that date. Net earnings of overseas offices which are remittable to the United States are included in Other Income in the Consolidated Statement of Earnings.

The financial statements are prepared in conformity with regulations issued by Federal supervisory agencies, as revised in 1969. Such revisions principally require that a Provision for Possible Losses on Loans be included in Operating Expenses and that the amount of Net Income be designated. The financial statements for 1968 have been restated to give retroactive effect to these changes.

The Consolidated Statement of Earnings includes provisions for deferred taxes of approximately $32,000,000 in 1969 ($27,000,000 in 1968) which result principally from recognition of certain items as income and expense in the financial statements in different years than for tax purposes.

2. Assets

Investment securities are carried at cost, adjusted for amortization of premium and accretion of discount. Trading securities are carried at market.

At December 31, 1969, the market value of the securities portfolio is approximately $2,625,000,000 and the book value is $3,003,361,000.

U.S. Treasury securities carried at $1,031,912,000, State and Municipal securities carried at $312,397,000 and other assets carried at $602,836,000 on December 31, 1969, are pledged to secure public and trust deposits and for other purposes.

Bank premises and equipment are carried at cost less accumulated depreciation. Operating expenses in 1969 include $10,419,000 for depreciation and $20,439,000 for rental cost of premises and equipment leased generally at terms not in excess of thirty years.

3. Retirement Plans

There are a number of pension plans covering substantially all employees. Past service and current service costs of the domestic plan are accrued and fully funded.

4. Convertible Capital Notes

The 4% Convertible Capital Notes Due 1990 are convertible into Common Stock of the Corporation at a conversion price of $66⅔ per share, subject to adjustment in certain events. The Notes, which are subordinated to obligations to depositors and other creditors, are redeemable on or after July 1, 1970, at the option of the Corporation, in whole or in part, at their principal amount plus accrued interest and a premium initially of 3.05%, declining annually thereafter, and without premium on or after July 1, 1986. The Corporation is jointly and severally liable with the Bank for payment of principal and interest on the Notes. As between the Corporation and the Bank, the Corporation has assumed primary liability for all such payments, and has

agreed to reimburse the Bank if for any reason it should be required to make payment thereon. Interest on the Notes in 1969 of $10,359,000 is included in Interest Paid on Other Borrowed Money.

5. Common Stock of the Corporation

At December 31, 1969, authorized Common Stock of the Corporation is 50,000,000 shares (40,000,000 shares at December 31, 1968) and 5,876,488 shares are reserved for issuance in connection with conversion of the Capital Notes and sales under the Stock Option and Stock Purchase Plans described below.

Under the Stock Option Plan for key personnel, options have been granted for terms up to ten years at not less than the fair market value of the shares at the dates of grant, and are exercisable cumulatively in equal annual instalments. Since the beginning of the Plan, 338,471 shares have been purchased. Changes in options outstanding during 1969 are as follows:

	Shares Under Option	Approximate Price Range Per Share
Outstanding at beginning of year	671,342	$49 to $62
Granted during year	345,142	$62 to $70
Exercised during year	77,934	$49 to $62
Expired during year	39,931	$49 to $70
Outstanding at end of year (278,565 shares exercisable at December 31, 1969)	898,619	$49 to $70

At the end of 1969, an additional 168,258 shares are available for future options (500,000 shares at the end of 1968).

Participants in the Stock Purchase Plan have purchased since the beginning of the Plan 66,136 shares at the fair market value of the shares at the dates of grant. At the beginning of 1969, there were outstanding rights to purchase 95,084 shares at $80 per share by agreements entered into in 1968. Under these agreements, rights to purchase 19,374 shares expired. At the end of 1969, rights to purchase 75,710 shares are outstanding and 858,154 shares are available for future agreements (838,780 shares at the end of 1968).

In 1969, ownership of a subsidiary was acquired through the issuance of 5,862 shares.

6. Capital Stock of the Bank

At respective year ends, authorized Capital Stock of the Bank amounted to 35,000,000 shares. The Capital Notes indenture prohibits the payment of dividends (other than stock dividends) or the purchase of outstanding Capital Stock in amounts which would reduce the total of the Bank's consolidated Capital, Surplus and Undivided Profits below $800,000,000.

7. Surplus

Surplus of the Corporation increased $3,110,000 in 1969 ($8,380,000 in 1968) from sales under the Stock Option and Stock Purchase Plans, $6,012,000 in 1969 ($306,000 in 1968) as a result of conversion of Capital Notes and $346,000 in 1969 from acquisition of a subsidiary. In 1969, Surplus was increased $64,694,000 by transferring $44,000,000 from Undivided Profits and $20,694,000 from Unallocated Reserve for Contingencies.

8. Unallocated Reserve for Contingencies

Changes in the reserve are shown in the table below:

	1969	1968
Balance at Beginning of Year	$128,050,000	$127,187,000
Deductions		
Transferred to Surplus	$ 20,694,000	$ —
Transferred to Undivided Profits	3,716,000	2,015,000
Other Deductions	—	1,609,000
	$ 24,410,000	$ 3,624,000
Additions		
Transferred from Undivided Profits	$ —	$ 1,315,000
Other Additions	57,000	3,172,000
	$ 57,000	$ 4,487,000
Balance at End of Year	$103,697,000	$128,050,000

9. Reserve for Possible Losses on Loans

Recognized loan losses are charged to the reserve and subsequent recoveries are added. Changes in the reserve are shown in the table below:

		1969		1968
Balance at Beginning of Year		$265,920,000		$229,576,000
Deductions				
Loan Losses		$ 16,781,000		$ 18,919,000
Additions				
Loan Recoveries		$ 5,338,000		$ 10,252,000
Provision for Possible Losses on Loans per Governmental Regulations				
Charged to Operating Expenses		13,500,000		10,100,000
Charged to Undivided				
Profits	$17,188,000		$17,455,000	
Tax Reduction	19,066,000	36,254,000	17,456,000	34,911,000
Other Additions		238,000		—
		$ 55,330,000		$ 55,263,000
Balance at End of Year		$304,469,000		$265,920,000

Beginning in 1969, the Provision for Possible Losses on Loans charged to Operating Expenses is computed by applying to average total loans for the current year the ratio of net loan losses to average total loans for the most recent five year period. For comparability, 1968 figures have been restated to give retroactive effect to this change.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

10. Earnings Per Share

Per share amounts Assuming Full Dilution are based on the assumption of conversion of all outstanding Capital Notes and elimination of interest paid on the Notes, after taxes.

AUDITORS' REPORT

The Board of Directors and Stockholders
Of First National City Corporation:

We have examined the consolidated statement of condition of First National City Corporation and subsidiaries as of December 31, 1969, the related statements of earnings and changes in capital accounts for the year then ended, and the consolidated statement of condition of its wholly-owned subsidiary, First National City Bank and subsidiaries, as of December 31, 1969. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of First National City Corporation and subsidiaries at December 31, 1969, and the results of their operations and changes in capital accounts for the year then ended and the financial position of First National City Bank and subsidiaries at December 31, 1969, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

Peat, Marwick, Mitchell & Co.

New York, New York
January 21, 1970

Certified Public Accountants

TEN YEARS OF GROWTH

	1969†	1968†	1967	1966	1965	1964	1963	1962	1961	1960	1959
Total Assets, at year end (Millions)	$ 23,092	$ 19,624	$ 17,727	$ 15,265	$14,160	$12,611	$11,941	$10,570	$ 9,756	$ 8,937	$ 8,406
Average Assets (Millions)											
U.S. Treasury Securities	$ 1,127	$ 1,388	$ 1,381	$ 1,146	$ 1,258	$ 1,336	$ 1,440	$ 1,627	$ 1,713	$ 1,278	$ 1,255
State and Municipal Securities	1,206	1,252	1,207	1,091	1,098	1,018	897	735	586	477	537
Loans (incl. Fed. Funds Sold)	12,276	10,427	9,151	8,695	7,885	6,284	5,388	4,653	4,245	4,366	4,186
Average Deposits (Millions)											
In Domestic Offices: Demand	$ 6,435	$ 6,096	$ 5,436	$ 5,079	$ 4,999	$ 5,016	$ 4,907	$ 4,768	$ 4,763	$ 4,733	$ 4,728
Savings	1,378	1,426	1,419	1,482	1,532	1,387	1,284	1,046	794	650	610
Other Time	2,404	3,205	2,967	2,646	2,345	1,650	1,088	760	697	477	554
In Overseas Offices	6,183	4,016	3,203	2,672	2,366	1,724	1,535	1,179	1,063	1,031	889
Total	$ 16,400	$ 14,743	$ 13,025	$ 11,879	$11,242	$ 9,777	$ 8,814	$ 7,753	$ 7,317	$ 6,891	$ 6,781
Net Operating Earnings (Thousands)	$ —	$124,789	$112,756	$104,890	$93,729	$86,794	$76,942	$74,108	$72,861	$74,292	$67,962
Provision for Possible Losses on Loans, After Taxes#	5,767	4,314	—	—	—	—	—	—	—	—	—
Income before Securities Profits or Losses	$130,580	$120,475△	—	—	—	—	—	—	—	—	—
Securities Profits or (Losses), After Taxes	(11,166)	(11,221)	(5,351)	(5,432)	380	(979)	4,933	(2,226)	14,175	(2,668)	(9,941)
Net Income	$119,414	$109,254△	—	—	—	—	—	—	—	—	—
Per Share*											
Net Operating Earnings, on average shares outstanding	$ —	$ 4.66	$ 4.22	$ 3.94	$ 3.52	$ 3.26	$ 2.89	$ 2.79	$ 2.75	$ 2.80	$ 2.56
Income before Securities Profits or Losses, on average shares outstanding	4.83	4.50△	—	—	—	—	—	—	—	—	—
Net Income, on average shares outstanding	4.41	4.08△	—	—	—	—	—	—	—	—	—
Cash Dividends Declared	2.30	2.10	1.90	1.75	1.60	1.53	1.47	1.44	1.41	1.39	1.36
Annual Dividend Rate, at year end	2.40	2.20	2.00	1.80	1.60	1.60	1.47	1.44	1.41	1.39	1.36
Common Stock, Surplus, Undivided Profits and Unallocated Reserve for Contingencies, on year-end shares outstanding	43.46	41.97	40.44	39.05	37.67	36.62	35.23	34.07	33.06	31.53	30.15
Capital Accounts, at year end (Millions)											
Common Stock, Surplus, Undivided Profits, and Unallocated Reserve for Contingencies	$ 1,179	$ 1,130	$ 1,080	$ 1,041	$ 1,004	$ 974	$ 937	$ 907	$ 876	$ 835	$ 799
Convertible Capital Notes	259	266	266	266	266	—	—	—	—	—	—
Total	$ 1,438	$ 1,396	$ 1,346	$ 1,307	$ 1,270	$ 974	$ 937	$ 907	$ 876	$ 835	$ 799
Reserve for Possible Losses on Loans, at year end (Millions)	$ 304	$ 266	$ 230	$ 199	$ 183	$ 159	$ 143	$ 121	$ 110	$ 105	$ 108
Actual Net Loan (Losses) or Recoveries, After Taxes (Thousands)	(5,068)	(4,631)	(4,792)	(6,055)	(5,441)	224	(1,548)	(3,596)	(6,677)	(16,570)	182
Average Earning Rates, fully taxable equivalent basis (in Domestic Offices)											
Total Securities and Loans	7.65%	6.58%	5.87%	5.74%	5.26%	5.17%	5.02%	4.83%	4.66%	4.84%	4.43%
U.S. Treasury Securities	5.79	5.30	4.61	4.38	3.97	3.77	3.47	3.33	3.01	3.11	2.69
State and Municipal Securities	8.83	8.19	7.04	6.97	6.22	6.31	6.34	6.32	6.36	6.48	5.49
Loans (incl. Fed. Funds Sold)	7.75	6.56	5.93	5.78	5.33	5.33	5.27	5.19	5.14	5.20	4.86
Shares Outstanding, at year end (Thousands)*	27,131	26,934	26,705	26,649	26,640	26,617	26,602	26,602	26,498	26,498	26,498
Staff, at year end	33,900	30,200	26,900	24,000	22,100	20,800	20,700	19,800	19,500	18,400	17,900

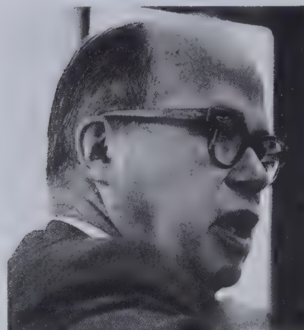
† First National City Corporation and subsidiaries

 # Deducted in arriving at "Income before Securities Profits or Losses"; computed by applying to average total loans for the current year the ratio of net loan losses to average total loans for the most recent five year period

△ 1968 Net Operating Earnings as previously reported have been supplemented for comparability with the new reporting requirements for 1969

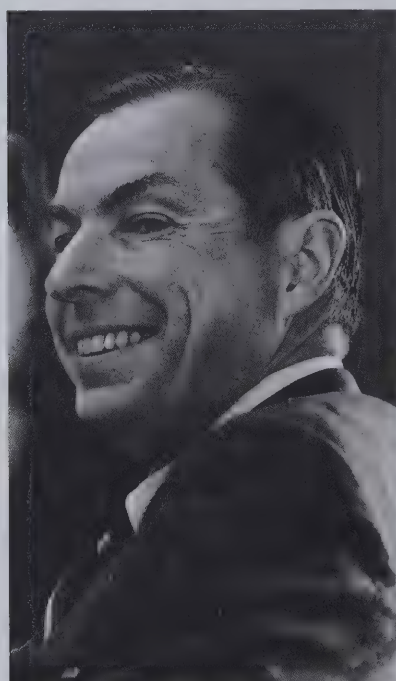
** After adjustment for 2% stock dividends in 1960 through 1964, and 2-for-1 stock split effective in 1965*

THE POLICY COMMITTEE

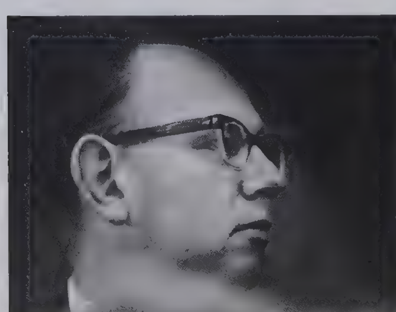

Bernard T. Stott, *Comptroller*

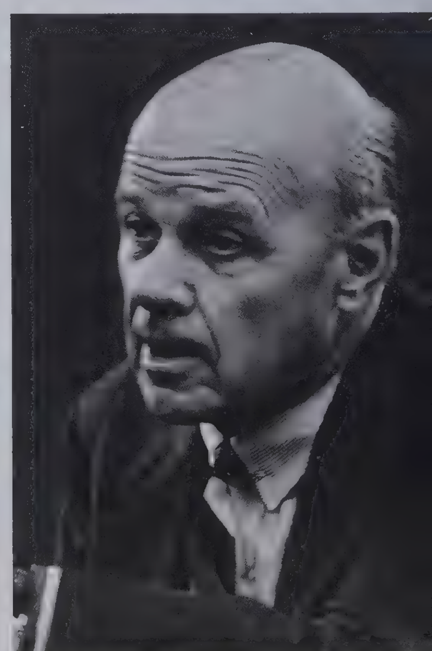

G. A. Costanzo, *Executive Vice President*


Thomas C. Theobald, *Senior Vice President*

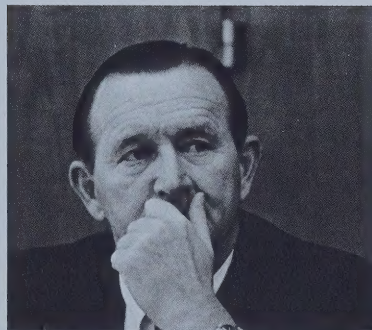

Walter B. Wriston, *President*


George C. Scott, *Chairman Credit Policy Committee*

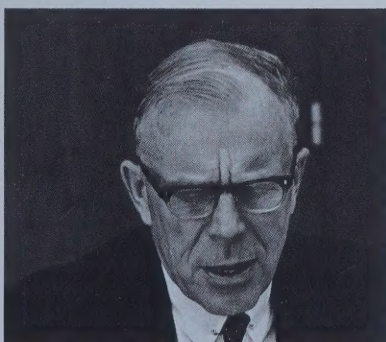

Leif H. Olsen, *Senior Vice President and Economist*


George S. Moore, *Chairman*

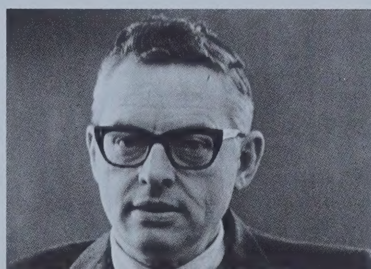
Carl W. Desch, *Senior Vice President and Cashier*



John J. Larkin, *Senior Vice President*

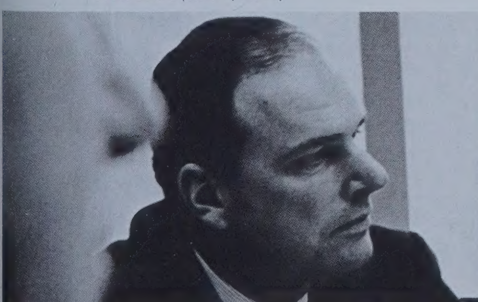


Robert L. Hoguet, *Exec. Vice Pres. and Vice Chmn., Trust Board (Ret.12/31/69)*

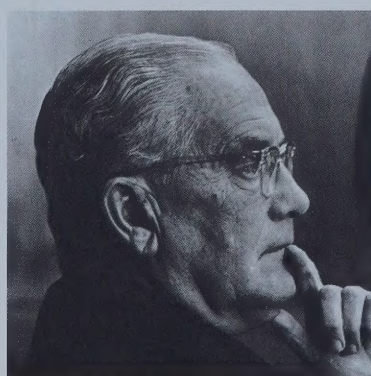


Robert W. Feagles, *Senior Vice President*

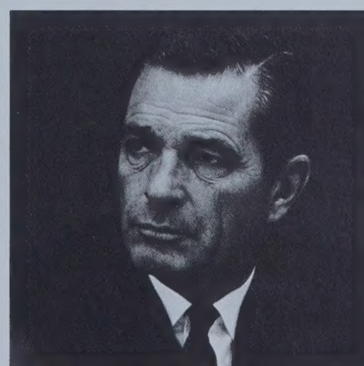
Richard S. Perkins, *Chmn. of the Exec. Committee*



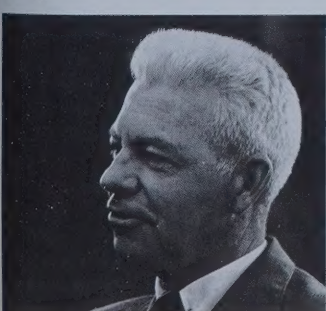
James D. Farley, *Executive Vice President*



J. Howard Laeri, *Vice Chairman*

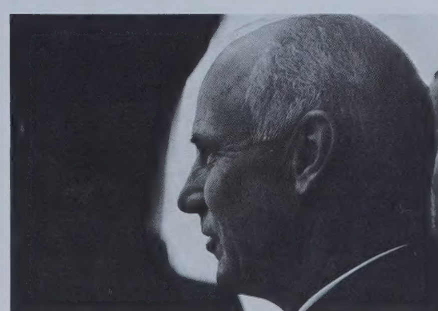


Thomas R. Wilcox, *Vice Chairman*

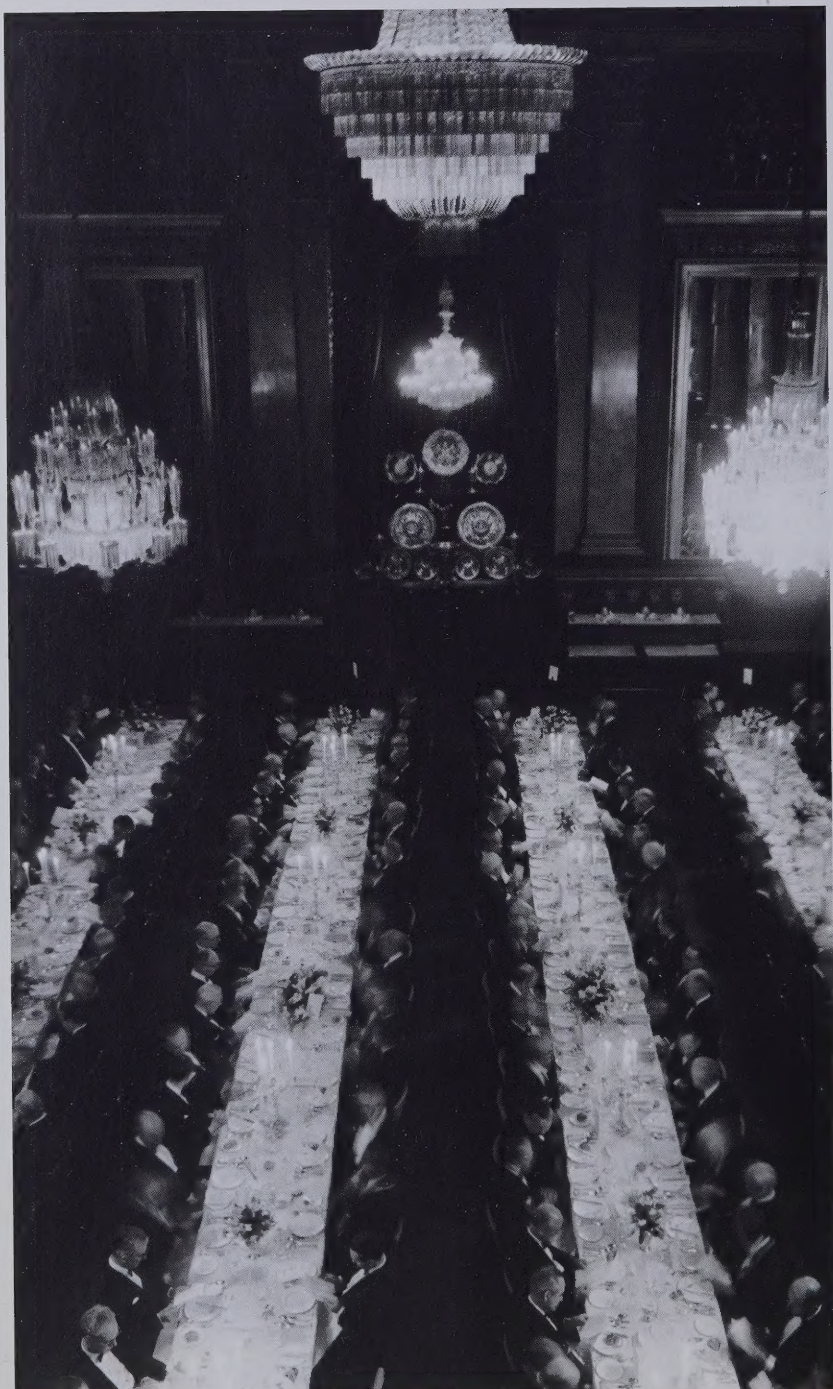


Edward L. Palmer, *Executive Vice President*

William I. Spencer, *Executive Vice President*



Thomas F. Creamer, *Executive Vice President*



London Board Meetings. *Goldsmith's Hall in London was the scene of a formal reception and dinner on May 28 honoring prominent Citibank customers and citizens of the United Kingdom. The dinner was held in connection with the first meeting ever held by the Board of Directors and Trust Board in a foreign country. Only one other time have the Boards met outside the U.S. mainland. They convened in San Juan in the spring of 1968 to mark the Bank's 50th anniversary in Puerto Rico.*

DIRECTORS AND TRUST BOARD

(as of December 31, 1969)

The Right Honorable Lord Aldington†
P.C., K.C.M.G., C.B.E., D.S.O.
Chairman, National and
Grindlays Bank Limited

George F. Baker, Jr.*
Trustee, George F. Baker Trust

Frank E. Barnett*
Chairman of the Board and
Chief Executive Officer,
Union Pacific Corporation and
Union Pacific Railroad Company

Dana T. Bartholomew*
Executive Vice President, Finance,
Alcan Aluminium Limited

William M. Batten†Δ
Chairman, J. C. Penney Company, Inc.

Charles M. Brinckerhoff†Δ
Chairman of the Executive Committee,
The Anaconda Company

William H. Chisholm*
Executive Vice President,
Ethyl Corporation

Percy Chubb, 2ndΔ
Chairman, The Chubb Corporation

Freeman J. Daniels*
Perkins, Daniels & McCormack

John D. deButtsΔ
Vice Chairman,
American Telephone and Telegraph
Company

Carl W. DeschΔ
Senior Vice President and Cashier

Fredrick M. Eaton†Δ
Shearman & Sterling

Richard M. Furlaud*
President, Squibb Beech-Nut, Inc.

Hon. Louis P. Gélinas*
Consultant, Geoffrion, Robert &
Gélinas, Inc.

J. Peter Grace†Δ
President, W. R. Grace & Co.

Gordon GrandΔ
President, Olin Corporation

Joseph A. Grazier†Δ
Chairman of the Executive and
Finance Committee,
American Standard Inc.

William C. Greenough*
Chairman and Chief Executive Officer,
Teachers Insurance and
Annuity Association of America and
College Retirement Equities Fund

William P. Gwinn†Δ
Chairman,
United Aircraft Corporation

Michael L. Haider†Δ
Former Chairman
Standard Oil Company (New Jersey)

Amory Houghton*
Honorary Chairman of the Board,
Corning Glass Works

Amory Houghton, Jr.†Δ
Chairman of the Board,
Corning Glass Works

George P. JenkinsΔ
Vice Chairman of the Board and
Chairman of the Finance Committee,
Metropolitan Life Insurance Company

John R. Kimberly†Δ
Chairman of the Board,
Kimberly-Clark Corporation

J. Howard Laeri*
Vice Chairman

Charles B. McCoy†Δ
President,
E. I. du Pont de Nemours & Company

Gordon M. MetcalfΔ
Chairman of the Board,
Sears, Roebuck and Co.

Roger Milliken†Δ
President, Deering Milliken, Inc.

George S. Moore†Δ*
Chairman

Charles G. Mortimer†Δ
Chairman of the Executive Committee,
General Foods Corporation

Robert S. Oelman†Δ
Chairman,
The National Cash Register Company

William F. Oliver*
President, American Sugar Company

Richard S. Perkins†Δ*
Chairman of the Executive Committee

James S. Rockefeller†Δ
Former Chairman

Chas. H. Sommer*
Chairman of the Board,
Monsanto Company

Hulbert W. Tripp*
Vice President for Finance,
Trustee and Chairman
of the Investment Committee,
The University of Rochester

Thomas R. Wilcox*
Vice Chairman

Albert L. WilliamsΔ
Chairman of the Executive Committee,
International Business Machines
Corporation

Joseph C. Wilson†Δ
Chairman of the Board,
Xerox Corporation

Robert Winthrop*
Honorary Chairman,
Wood, Struthers & Winthrop Inc.

M. Cabell Woodward, Jr.*
President,
ITT Continental Baking Company, Inc.

Walter B. Wriston†Δ*
President

† Director FNCC
Δ Director FNCB
* Member Trust Board

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